Blackpool Council

BUILDING A BETTER COMMUNITY FOR ALL

DRAFT

STATEMENT OF

ACCOUNTS

2010/2011

STATEMENT OF ACCOUNTS
2010/2011
CONTENTS

SECTION 1

EXPLANATORY FOREWORD

1.0 INTRODUCTION

These accounts have been prepared in accordance with the Accounts and Audit Regulations 2011 and the current *Code of Practice on Local Authority Accounting in the United Kingdom, Based on International Financial Reporting Standards.* This is the first year the Statement of Accounts have been prepared and published under International Financial Reporting Standards (IFRS). The move to IFRS from UK GAAP has resulted in a number of significant changes to accounting practice. The main changes are:

- Property leases are classified and accounted for as separate leases for land and buildings. There is also a requirement to reassess whether leases are finance or operating leases under IFRS.
- From 1st April 2010 there is a requirement to component account non current assets with derecognition of a component when its service potential is used up.
- Impairment losses will initially be taken to the Revaluation Reserve as long as there is a balance on the reserve for that specific asset.
- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred and released to revenue in line with depreciation, unless there is a condition relating to the grant. The grant will then be recognised as income when the conditions of the grant have been met.
- The financial statements have changed and are listed below. There is also an additional requirement for segmental reporting.
- Investment properties are revalued annually with gains and losses being recognised in the Surplus or Deficit on the Provision of Services rather than through the Revaluation Reserve. Expenditure on investment properties and rentals received are included on the Financing and Investment income line of the Comprehensive Income and Expenditure Statement rather than within the Cost of Services section as previously.
- Employee benefits are accounted for in the year for which they are earned by the employee. This requires an accrual for the cost of annual leave earned by the employee but not taken until the following financial year.

These accounts set out the main features of the Council's financial performance for the year ended 31st March 2011 and provide information relating to the Council's financial position as at that date.

The statements presented on the following pages comprise:-

Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Council, analysed into "usable" reserves (ie those that can be applied to fund expenditure or reduce local taxation and other reserves.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This sets out the overall financial position of the Council as at 31st March 2011. It shows the reserves and balances of the Council, its long-term indebtedness and the value of fixed and net current assets.

Cash Flow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Housing Revenue Account

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and income.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions on non-domestic rates and council tax and illustrates the way in which these are distributed to Lancashire Police Authority, Lancashire Fire Authority and the Council's General Fund.

Group Accounts

The summarised group financial statements are prepared in order to show the overall financial position and results of the local authority group.

Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Director of Resources for the accounts.

The accounts are supported by the notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to items in the main financial statements and assumptions made about the future.

1.1 SUMMARY OF THE FINANCIAL YEAR

The Council incurs expenditure on both revenue and capital items. Revenue spending is generally on items that are consumed within a year and is financed from council tax, non-domestic rates, government grants, charges for services and other income. Capital expenditure relates to work, services and acquisitions whose benefits extend beyond one year.

1.1.1 REVENUE SUMMARY

Central Government support (Formula Grant) towards the Council consists of the Revenue Support Grant (RSG), Area Based Grant (ABG) and a share of the National Non-Domestic Rate pool. The table below shows the year-on-year increase in the government support.

	2010/2011 £'000	2009/2010 £'000
Revenue Support Grant	10,372	14,747
Area Based Grant	25,483	18,771
Non-Domestic Rates	71,425	63,891
TOTAL	**107,280**	**97,409**

There was a Council Tax increase of 2.90%, an annual increase from £1,473.28 to £1,516.01 on band D properties, in 2010/2011.

The original estimates assumed there would be a contribution to the Council's unallocated revenue reserves of £1,239,000. The actual contribution to the Council's unallocated revenue reserves in 2010/2011 was £163,000, further details are provided in paragraph 1.1.2.

1.1.2 INCOME AND EXPENDITURE ACCOUNT

The table below shows an overall comparison of the Council's Income and Expenditure Account between the approved budget for 2010/2011 and the outturn position.

	Approved Budget £m	Actual £m	(Favourable)/ Adverse £m
Net Operating Expenditure	187.5	187.2	(0.3)
Capital Financing Costs	(21.9)	(23.2)	(1.3)
Income from Government Grants	(107.3)	(104.7)	2.6
Income from Local Taxpayers	(59.5)	(59.5)	0
(Surplus)/Deficit for the year	**(1.2)**	**(0.2)**	**1.0**
(Surplus) brought forward at 1st April 2010	(6.0)	(6.0)	0
(Surplus) carried forward at 31st March 2011	**(7.2)**	**(6.2)**	**1.0**

The Comprehensive Income and Expenditure Statement is shown in Section 4

The 2010/2011 year end variance position on directorates' cash limited budgets was as follows:

DIRECTORATE	**£000**
Chief Executive	(151)
Policy, Transformation and Communication	(414)
Human Resources and Organisational Development	(5)
Resources	(266)
Places	148
Children, Adults and Family Services	663
Blackpool Services	(281)
Sub Total	(306)
Area Panels and Ward Budgets	(646)
TOTAL	**(952)**

The figures above include (under)/over spendings brought forward from the previous financial year. After allowing for these sums, the provisional outturn shows budgets were overspent in the year by £717,000.

The main reasons for the cumulative over spend are as follows:

Service	Reasons	£000
Children, Adults and Family Services	External placements in respect of Looked After Children increased from 52 to 59 during 2010/11, and foster placements from 296 to 322. This increased demand, along with the associated legal and Section 17 costs, resulted in a combined Safeguarding overspend of £2.2m. Another key area of overspend was Adult Provider Services, in particular the Supported Living service for clients with Learning Disability and the Homecare service. The Supported Living service provides support to clients with the most complex needs and as such is a very high cost service. Increasing levels of demand in both areas during the year placed staffing budgets under pressure (with considerable reliance on overtime and extra duty), resulting in a combined overspend of £557k. Service pressures were further compounded by the impact of successful Pay Review appeals. Management action was taken during the year to freeze resources wherever possible in order to try and mitigate the impact of the above. A recovery plan totalling £2m was put in place in September 2010 which delivered back office savings, efficiency savings and service reductions where achievable. Further support came from the Government, via the NHS, in the form of the Winter Pressures Grant (c£600k), which helped offset increasing costs in Adult Social Care. Finally, the Council also allocated additional funding of £1,474k to support the increased demand and to cover the brought forward overspending from 2009/10. In summary, a combination of management action and additional NHS and Council funding helped to cap the 2010/11 overspending within the Children, Adult & Family Services Directorate at £663k.	663
Places	The Illuminations budget recovery plan still carries a deficit of £93k and some services failed to achieve their income targets.	148
Blackpool Services	The reasons for this underspend are increased efficiencies in both Waste Management (£200k) and Public Conveniences (£50k) with additional income of (£31k) from leisure facilities.	(281)
Area Forums and Ward Budgets	Scheme commitments of £460k are being carried forward to 2011/12 which reduces the true surplus on budgets to £186k.	(646)
Chief Executive / Policy / Human Resources / Resources	Freezing of staff vacancies and in-year restructurings were carried out to achieve full-year budget savings in 2011/12 and meet savings targets.	(836)
Total		**(952)**

For budgets 'outside the cash limit' there was an aggregate underspending of £1,464,000. The main reasons are set out below:

Service	Reasons	£000
Treasury Management	Higher cash balances than planned have been maintained during 2010/11. This has enabled borrowing to be delayed, thus achieving savings against interest payable. In addition, longer-term savings on the loan portfolio have been made by restructuring £15m of debt.	(753)
Concessionary Fares	A reduction in concessionary fares passengers of 7.5%.	(515)
Subsidiary Companies	Primarily attributable to the good performance of Blackpool Operating Company which manages and operates the Sandcastle Waterpark.	(228)
Other	-	32
Total		**(1,464)**

As part of the year end process, an analysis of budget variances is undertaken in order to determine the treatment of under/overspendings on service budgets. The current approach provides that:

- underspendings are carried forward in full and are then available to supplement the following year's service budget
- overspendings are similarly carried forward but must as far as possible be recovered in the following financial year (where an extended period is required, this must be on the basis of a recovery plan with a timetable not exceeding 3 years and approved by the Executive) and
- any windfall gains as defined by the Director of Resources and arising from events outside the control of the service, will be added to the Council's general working balances.

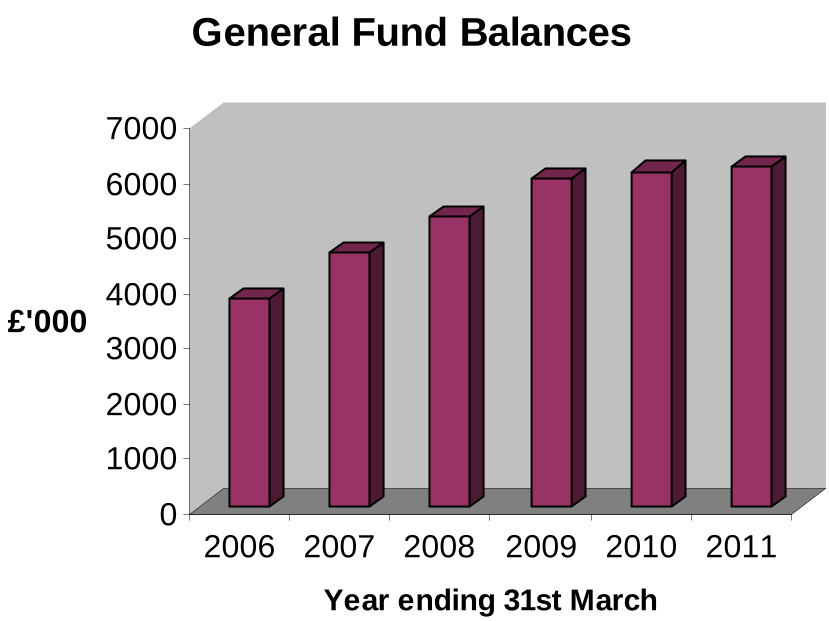
Having considered the financial outlook, service underspendings have been carried forward to the 2011/2012 financial year. This will assist services in meeting the budget savings targets for 2011/2012. In addition the overspendings in Directorates amounting to £811,000 were deemed non recoverable and these services enter 2011/2012 in a balanced position.

1.1.3 GENERAL FUND WORKING BALANCES

In setting the Council's original budget for 2010/2011 the target General Fund working balances as at 31st March 2011 were £6m. However the outturn position means that the actual General Fund working balances as at 31st March 2011 were £6.2m.

Although the whole purpose of reserves is to "cushion the impact of unexpected events or emergencies…. and help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing", they are not an inexhaustive contingency.

The graph below shows the change in the General Fund Working Balances over the last 6 years.



1.1.4 CAPITAL

The total of the Council's capital spending in 2010/2011 was £109.7m, which is a 22% decrease from the previous year. The main reason for the decrease in capital spending is the "one off" purchase of the Winter Gardens, Tower and associated assets in 2009/2010. The net book value of the Council's fixed assets as at 31st March 2011 is £856.4m.

The continued Tramway renewal programme, promenade regeneration and improvement works to the Winter Gardens, Tower and associated assets account for a significant proportion of the 2010/2011 expenditure.

The main areas of capital spending during the year were:

	2010/2011 £m	2009/2010 £m
Children, Adults and Family Services	9.9	9.3
Blackpool Services	3.9	2.2
Places:		
Asset Management, Capital Programme and Illuminations	27.5	57.5
Transport	39.7	32.8
Coast Protection	3.7	11.9
Culture, Libraries, Heritage and Art	1.3	0
Housing - HRA	19.6	17.5
Housing Private Sector	3.7	9.4
Other	0.4	0.2
Total	**109.7**	**140.8**

The funding of the capital expenditure came from a number of sources as summarised below:

	2010/2011 £m	2009/2010 £m
Capital receipts	0.7	5.5
Grants	80.0	90.6
Borrowing	5.0	14.5
Unfunded	0	3.4
Other	24.0	26.8
Total	**109.7**	**140.8**

As at 31st March 2011 the Council held a balance of usable capital receipts amounting to £3.3m. Most of these capital receipts are committed towards future schemes such as the Second Gateway and Tramway projects.

The Council plans future capital developments within the financial constraints placed upon it. Key policy objectives for the future include regeneration and renewal of the town on a significant scale.

- A coastal defence programme totalling £62m and funded by DEFRA commenced in 2005/2006 and is phased over 5 years. This has since attracted additional funding of £27.9m from NWDA, ERDF and CABE for enhancements to the original scheme in order to "dovetail" with other proposed sea front regeneration schemes, including Tramway works. The seafront schemes and tramway are expected to be complete during 2011/2012.
- £34m of investment was made in Blackpool Tower and Winter Gardens with funding made available by ERDF, NWDA and Homes and Communities Agency. The Council is also making a significant contribution to improve and develop the facility in order to meet the requirements of the current market and the attraction will be fully open during 2011/2012.
- Project 30 will commence in 2011/2012 and this will be an investment of £30m over 4 years to update the road network and infrastructure to a level considered adequate for a town of Blackpool's stature. The investment made will provide significant long term benefits for the town whose current roads require upgrading.

1.1.5 HOUSING REVENUE ACCOUNT

The summary position on the Housing Revenue Account comparing the original budget to the outturn position is as follows:

	Budget £'000	**Actual £'000**	**Difference £'000**
Gross Expenditure	19,327	18,899	(428)
Income	(19,404)	(19,163)	241
(Surplus) for the Year	**(77)**	**(264)**	**(187)**
Balance (Surplus) Brought Forward 1st April 2010	(1,350)	(1,350)	0
Balance (Surplus) Carried Forward 31st March 2011	**(1,427)**	**(1,614)**	**(187)**

1.2 PENSION LIABILITY

In accordance with best accounting practice the Council must show the surplus or deficit position on its share of the Pension Fund. For Blackpool the net position showed a liability of £136.262m for 2010/2011 compared to a liability of £190.661m for 2009/2010. The decrease in liability is £54.399m.

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc. The assets and liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. The liabilities will not become due immediately or all at once, as they relate to pensions payable to current scheme members on their normal retirement dates. The position at the end of the financial year is based on prevailing market and other economic conditions. As such it may fluctuate significantly from one year to the next.

1.3 ACCOUNTING PRACTICE COMPLIANCE

The Statement of Accounts for 2010/2011 are the first to be prepared on an International Financial Reporting Standards (IFRS) basis as opposed to UK GAAP. Adoption of the IFRS based code has resulted in the re-statement of various balances and transactions, with the result that some amounts presented in these financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010. Note 5 details these differences.

In accordance with the latest *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom,* which is applicable to financial reporting from 1st April 2010, the Comprehensive Income and Expenditure Account is presented using a Service Expenditure Analysis (SEA) reflecting the Best Value Accounting Code of Practice approach to consistent financial reporting. The accounting policies adopted by the Council are explained fully in Section 5.

1.4 COMPLIANCE WITH STATUTORY CONTROLS & TARGETS

In 2010/2011 the Council received supported capital expenditure (SCE) approvals of £16.620m in order to borrow for capital purposes. It is government policy to gradually replace SCEs with Capital Grant. In addition the Council also has authority to prudentially borrow to fund schemes. The costs of this borrowing must be met from the service revenue budget over the useful life of the asset and it is the Council's policy that the cost of the capital scheme using prudential borrowing must have a nil effect on the council tax. Therefore, increased income/savings must be achievable before the scheme can go ahead.

The Council set aside a minimum revenue provision (MRP) of £4.1m representing 4% of the capital financing requirement, as adjusted in respect of the commutation of certain Government housing grants. In addition to the statutory minimum of 4% £1.3m has been set aside to repay debt relating to shorter life assets that have been funded by prudential borrowing.

1.5 FURTHER INFORMATION

The Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further information can be found in the following publications, which are produced each year:

Revenue Budget	available for inspection in local libraries or on the Council's website
Schedule of Fees & Charges	obtainable from the Chief Financial Officer
Council Tax Leaflet	distributed to all households with council tax bills
Corporate Plan	available on the Council's website or Council offices
Sustainable Community Strategy	available on the Council's website or Council offices

Information can also be found on the Council's website www.blackpool.gov.uk

Transparency

The Governments Transparency Agenda encourages local authorities to make public data openly available. Details of the Council's spend over £500 and senior managers salaries can be found on the above website.

Further information about this Statement of Accounts is available from:

Chief Financial Officer
P O Box 4
Town Hall
Blackpool
FY1 1NA

Public Inspection of Accounts

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This inspection will take place from 4th July 2011 until 29th July 2011 for the 2010/2011 Statement of Accounts. The availability of the accounts for inspection was advertised in the local press in June 2011.

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1 THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the proper responsibility for the administration of those affairs. In this authority that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Chair – Finance and Audit Committee

2.2 THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in United Kingdom* ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director of Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts represents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2011.

A Pollock
Director of Resources
29th June 2011

SECTION 3

INDEPENDENT AUDITORS REPORT

Report will be inserted following the audit of accounts

SECTION 4

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2010/2011	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31st March 2010	**(10,110)**	**(24,493)**	**(1,350)**	**(3,676)**	**(1,979)**	**(6,534)**	**(48,142)**	**(348,447)**	**(396,589)**
Movements in Reserves in 2010/2011									
Surplus or (deficit) on the provision of services	(10,975)	0	(264)	0	0	0	(11,239)	0	(11,239)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(65,747)	(65,747)
Total Comprehensive Income and Expenditure	**(10,975)**	**0**	**(264)**	**0**	**0**	**0**	**(11,239)**	**(65,747)**	**(76,986)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,821	0	0	399	1,979	417	7,616	(7,616)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	**(6,154)**	**0**	**(264)**	**399**	**1,979**	**417**	**(3,623)**	**(73,363)**	**(76,986)**
Transfers to/from Earmarked Reserves	5,974	(6,024)	0	0	0	50	0	0	0
Increase or Decrease in 2010/2011	**(180)**	**(6,024)**	**(264)**	**399**	**1,979**	**467**	**(3,623)**	**(73,363)**	**(76,986)**
Balance as at 31st March 2011 c/f	**(10,290)**	**(30,517)**	**(1,614)**	**(3,277)**	**0**	**(6,067)**	**(51,765)**	**(421,810)**	**(473,575)**

2009/2010	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31st March 2009	**(9,091)**	**(18,224)**	**(1,539)**	**(9,078)**	**(1,308)**	**(6,501)**	**(45,741)**	**(340,925)**	**(386,666)**
Movements in Reserves in 2009/2010									
Surplus or (deficit) on the provision of services	(56,169)	0	189	0	0	0	(55,980)	0	(55,980)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,057	46,057
Total Comprehensive Income and Expenditure	**(56,169)**	**0**	**189**	**0**	**0**	**0**	**(55,980)**	**46,057**	**(9,923)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	48,881	0	0	5,402	(671)	(33)	53,579	(53,579)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	**(7,288)**	**0**	**189**	**5,402**	**(671)**	**(33)**	**(2,401)**	**(7,522)**	**(9,923)**
Transfers to/from Earmarked Reserves	6,269	(6,269)	0	0	0	0	0	0	0
Increase or Decrease in 2009/2010	**(1,019)**	**(6,269)**	**189**	**5,402**	**(671)**	**(33)**	**(2,401)**	**(7,522)**	**(9,923)**
Balance as at 31st March 2010 c/f	**(10,110)**	**(24,493)**	**(1,350)**	**(3,676)**	**(1,979)**	**(6,534)**	**(48,142)**	**(348,447)**	**(396,589)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/2010				2010/2011		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
17,102	15,513	1,589	Central Services to the Public	46,367	41,860	4,507
83,848	40,641	43,207	Cultural, Environmental, Regulatory and Planning Services	92,820	37,988	54,832
179,239	139,856	39,383	Education and Children's Services	197,421	149,675	47,746
31,639	16,231	15,408	Highways and Transport Services	40,598	24,205	16,393
17,087	18,105	(1,018)	Local Authority Housing (HRA)	16,104	18,921	(2,817)
92,819	82,585	10,234	Other Housing Services	94,911	87,964	6,947
63,993	25,451	38,542	Adult Social Care	61,115	18,615	42,500
5,579	4,151	1,428	Corporate and Democratic Core	6,238	3,953	2,285
2,233	1,006	1,227	Non Distributed Costs	3,214	29,765	(26,551)
493,539	**343,539**	**150,000**	**Cost of Services**	**558,788**	**412,946**	**145,842**
		94	Other Operating Expenditure (Note 9)			3,937
		20,098	Financing and Investment Income and Expenditure (Note 10)			17,750
		1,105	Income & Expenditure in relation to Investment properties and changes in their fair value (Note 13)			1,532
		(227,277)	Taxation and Non-Specific Grant Income (Note 11)			(180,300)
		(55,980)	**(Surplus) or Deficit on Provision of Services**			**(11,239)**
		(11,881)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(30,023)
		110	Surplus or deficit on revaluation of available for sale financial assets			833
		57,545	Actuarial (gains)/losses on pension assets/liabilities			(35,421)
		283	Other movements			(1,136)
		46,057	**Other Comprehensive Income and Expenditure**			**(65,747)**
		(9,923)	**Total Comprehensive Income and Expenditure**			**(76,986)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ' Adjustments between accounting basis and funding basis under regulations'.

1st April 2009 £'000	31st March 2010 £'000		Notes	31st March 2011 £'000
642,236	747,486	Property, Plant and Equipment	12,14	842,590
9,030	10,560	Investment Property	13	10,310
134	6	Intangible Assets	15	0
3,317	3,488	Assets Held for Sale	23	3,495
10,480	10,370	Long Term Investments	18	8,600
1,795	1,339	Long Term Debtors	19	6,890
666,992	**773,249**	**Long Term Assets**		**871,885**
4,000	0	Short Term Investments		0
582	508	Inventories	17	659
44,260	77,035	Short Term Debtors	20	54,373
2,908	1,850	Payments in Advance	21	2,830
45,685	9,147	Cash and Cash Equivalents	22	8,799
97,435	**88,540**	**Current Assets**		**66,661**
(4,130)	(4,061)	Bank Overdraft		0
(3,000)	(32,470)	Short Term Borrowing		(5,667)
(38,910)	(44,724)	Short Term Creditors	25	(50,862)
(12,602)	(12,715)	Receipts in Advance	24	(14,210)
(6,288)	(4,829)	Provisions	26	(4,874)
(64,930)	**(98,799)**	**Current Liabilities**		**(75,613)**
0	(4,387)	Long Term Creditors		(5,460)
(144,294)	(126,429)	Long Term Borrowing		(135,232)
(153,386)	(217,794)	Other Long Term Liabilities		(220,256)
(15,151)	(17,791)	Capital Grants Receipts in Advance		(28,410)
(312,831)	**(366,401)**	**Long Term Liabilities**		**(389,358)**
386,666	**396,589**	**Net Assets**		**473,575**
(45,741)	(48,142)	Usable Reserve	27	(51,765)
(340,925)	(348,447)	Unusable Reserves	28	(421,810)
(386,666)	**(396,589)**	**Total Reserves**		**(473,575)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2009/2010 £000		2010/2011 £000	2010/2011 £000	Notes
(55,980)	**(Surplus)/Deficit on Provision of Services**		**(11,239)**	
2,887	Adjustments to net (surplus) or deficit on provision of services for non-cash movements	11,046		
(14,606)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,972)		
(11,719)	**Net Cash Flows from Operating Activities**		**(18,926)**	29
68,391	**Total Investing Activities**		**35,028**	30
(52,420)	**Total Financing Activities**		**22,265**	31
(51,728)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**27,128**	32
(103,225)	Cash and Cash Equivalents at the beginning of the reporting period		(154,953)	
(154,953)	**Cash and Cash Equivalents at the end of the reporting period**		**(127,825)**	

SECTION 5

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2010/2011 financial year and its position at the year end 31st March 2011. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies and services are recorded as expenditure when they are received. Items received but not consumed are included within the balance sheet as inventories (paragraph 1.14). The only significant exceptions are in respect of wages, bonus and related costs which are included in the accounts on the basis of the nearest payment date to the year end; housing rents which are included on the basis of the number of weeks which commence within the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debt provision).
- Dividend income is recognised in the accounts in the year that it is declared rather than the year to which it relates.

1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are presented within current liabilities.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable and relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and flexi time earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement on Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Lancashire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions). Earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined benefit contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teacher's pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by the employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.50% (5.6% in 2009/2010) (based on the weighted average of "spot yields" on AA rated corporate bonds).

- The assets of the Lancashire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts for services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost- the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Lancashire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. However if funds allow the premium or discount will be charged to the Comprehensive Income and Expenditure Statement in full in the year it is incurred.The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made loans to Lancashire and Blackpool Tourist Board and Lancashire County Developments at less than market rates (soft loans) – see Note 19. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally

higher effective rate than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to the service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for–sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with net gain/loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement has fixed or determinable payments, the impairment loss is measured a the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.10 FOREIGN CURRENCY TRANSACTIONS

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable in the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.11 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried at Balance Sheet as creditors. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

AREA BASED GRANT

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

BUSINESS IMPROVEMENT DISTRICT

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

1.12 INTANGIBLE FIXED ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds over £10,000) the Capital Receipts Reserve.

1.13 INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as investments ie at cost less any provision for losses.

1.14 INVENTORIES AND LONG TERM CONTRACTS

Items of stock held by the Central Print Unit are valued at current price. All other operational stores of the Council, including spares for plant and vehicle fleets, are included in the accounts at the lower of average cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress arises in the Blackpool Services Department, the Illuminations Division (production of new features) and the Central Print Unit. It is valued at cost including an allocation of overheads.

1.15 INVESTMENT PROPERTY

Investment properties are those that are solely used to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of the service or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are

not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.17 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent free period at the commencement of the lease).

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease generally meaning that rentals are charged when they become payable. Rental of a building will always contain an element of land (on which the building stands), the land will generally be treated as an operating lease.

The Authority as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Best Value Accounting Code of Practice 2010/2011* (BVACOP). The total absorption costing principle is used – full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The main basis for charging of overhead costs is: -

Percentage Time –	Resources Department Management Financial Services Payroll (also number of employees/payslips) Debtors & Creditors (also number of transactions) Human Resources Information Technology (also Direct Allocation/No of PCs) Corporate Leadership Team
Desk Numbers -	Administrative Buildings
Actual Time Allocation –	Property Services, Legal Services, Highways, Transportation, Streetscene and Capital Projects Division

1.19 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued as part of a rolling programme every four years to ensure that their carrying amount is not materially different from their fair value at the year end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (ie freehold land and certain Community Assets and assets that are not yet available for use (ie assets under construction). with a determinable finite life by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. The economic life of the asset is reviewed at least every four years as is the likely residual value.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- infrastructure – straight line allocation over 25 years

Where an item of Property, Plant and Equipment asset has major components whose cost is at least 20% of the total cost of the item, the components are depreciated separately. Only items with a value in excess of £1m were determined material for component accounting.

Revaluation gains are also depreciated with an amount equal to the difference between current value deprecation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through the sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of the receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.20 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- fair value of services received during the year debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of a percentage of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs- proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Waste Disposal PFI

Blackpool Council has entered into a Joint Working Agreement with Lancashire County Council to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Limited and administer all matters under that contract on behalf of Blackpool Council. This arrangement is a continuing commitment until March 2036.

Street Lighting PFI

This project will be for 30 years and includes the replacement of approximately 2,500 streetlights in the first 12 months. The service provider will be responsible for all management and maintenance of street lights. The project commenced on 4th January 2010. The total value of the project is £129m.

1.21 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for LATS, which commenced operation on 1st April 2005.

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

In 2010/2011 Blackpool did not buy or sell any allowances. The value of the landfill allowances is nil for 2010/2011.

CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.22 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.23 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.24 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

Heritage Assets: Impact of adoption of the new standard on the financial statements.

The Code of Practice on Local Authority Accounting in the UK 2011/2012 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the authority, which will need to be adopted fully by the authority in the 2011/2012 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that had been issued but is not yet required to be adopted by the authority, in this case, heritage assets. As set out above full adoption of the standard will be required for the 2011/2012 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored by the authority. The three principal collections of heritage assets held by the authority include:

- ceramics, porcelain work and figurines
- the art collection
- pottery and emphemera

The collection is not currently recognised in the financial statements as no information is available on the cost of the assets.

The code will require that heritage assets are measured at valuation in the 2011/2012 financial statements. The 2011/2012 Code will permit some revaluations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the balance sheet. The authority anticipates that it will be able to recognise some items using its base detailed insurance valuations.

The authority will recognise its art collection in future financial statements as long as obtaining valuations does not involve a disproportionate cost in comparison to the benefits to the users of the authority's financial statements. This exemption is permitted by the 2011/2012 code.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the agreement for the replacement and upgrade of street lighting and also to control the residual value of the lighting at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets are recognised as property, plant and equipment on the Council's Balance Sheet.
- The Council is owed £1,086 by 2 companies who are in administration.
- The following claims have a potential settlement value of over £100,000:

  - An employee has made a claim against the authority regarding an injury at work.
  - There are 4 claims against the authority regarding accidents and injuries sustained on council land.
  - There are 2 claims against the authority regarding injuries sustained on roads and footpaths.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Authority's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are shown overleaf:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £420,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 1% increase in the discount rate assumption would result in a decease in the pension liability of £8,217,000. However, the assumptions interact in complex ways. During 2010/2011, the Authority's actuaries advised the budgeted net finance cost would be £8,258,000. However as a result of estimates being corrected the actual net finance costs was £8,164.000.

5. ACCOUNTING CHANGES

The 2010/2011 Statement of Accounts is the first set of accounts prepared using International Financial Reporting Standards (IFRS). In order to provide comparatives the 2009/2010 financial statements were restated on an IFRS basis. This has resulted in changes to the figures which were published in the 2009/2010 statement of accounts. The table below shows only the figures which have changed.

	2009/2010 Published Accounts £'000	2009/2010 IFRS Restated Comparatives £'000	Variance £'000	Reason for Variance
Comprehensive Income and Expenditure Statement				
Central Services to the Public	1,598	1,589	(9)	Accumulated absence
Cultural, Environmental, Regulatory and Planning Services	44,166	43,207	(959)	Accumulated absence and investment properties moved below cost of services
Education and Children's Services	35,522	39,383	3,861	Accumulated absence
Highways and Transport Services	15,329	15,408	79	Accumulated absence
Other Housing Services	10,236	10,234	(2)	Accumulated absence
Adult Social Care	38,453	38,542	89	Accumulated absence
Cost of Services	**146,940**	**150,000**	**3,060**	
Income and Expenditure in relation to Investment Properties	0	1,105	1,105	Moved from cost of services
Taxation and Non Specific Grants Income	(154,675)	(227,277)	(72,602)	Write off of capital grants in one year rather in line with depreciation
Surplus/deficit on revaluation of non current assets	0	(11,881)	(11,881)	Moved from STRGL and reclassified operating leases to finance leases
Surplus/deficit on revaluation of available for sale assets	0	110	110	Moved from STRGL
Actuarial gains/losses on pensions	0	57,545	57,545	Moved from STRGL
Other Movements	0	283	283	Moved from STRGL
Statement of Total Recognised Gains and Losses				
Surplus/deficit on revaluation of non current assets	(7,926)	0	(7,926)	Reclassified operating leases to finance leases and moved to Comprehensive Income and expenditure Statement
Surplus/deficit on revaluation of available for sale assets	110	0	110	Moved to Comprehensive Income and Expenditure Statement
Actuarial gains/losses on pensions	57,545	0	57,545	Moved to Comprehensive Income and Expenditure Statement
Other Movements	283	0	283	Moved to Comprehensive Income and Expenditure Statement
Balance Sheet				
Property, Plant and Equipment	746,003	747,486	1,483	Reclassified operating leases to finance leases
Investments	8,000	0	(8,000)	Moved top cash and cash equivalents
Cash and cash Equivalents	1,147	9,147	8,000	Moved from investments
Creditors	(40,545)	(44,724)	(4,179)	Accumulated Absence and effect of leases changing to finance leases
Other long term liabilities	(290,396)	(217,794)	72,602	Write off of capital grants in one year rather than in line with depreciation
Unusable Reserves	(86,944)	(348,447)	(261,503)	Accumulated absence, reclassification of operating leases to finance leases and write off of capital grants in one year

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Resources on 29th June 2011. Events taking place after this date are not reflected in the financial statements and notes. Where events taking place before this date provided information about conditions existing at 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

7. ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(26,473)					26,473
Capital grants and contributions unapplied	16,862					(16,862)
Revenue expenditure funded from capital under statute	(5,791)					5,791
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,791)					2,791
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of investment	6,265					(6,265)
Capital expenditure charged against the General Fund and HRA balances	361					(361)

2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(142)					142
Use of Capital Receipts Reserve to finance new capital expenditure			399			(399)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Reserve					417	(417)
Adjustment primarily involving the Major Repairs Reserve						
Use of the Major Repairs Reserve to finance new capital expenditure				1,979		(1,979)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(377)					377

2010/2011	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,580					(3,580)
Employer's pension contributions and direct payments to pensioners payable in the year	15,398					(15,398)
Adjustments primarily involving the Available for Sale Reserve						
Gain/loss on revaluation of investments	(1,770)					1,770
Adjustment primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(134)					134
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(84)					84
Transfer to Capital Reserve	(100)					100
Other	17					(17)
TOTAL	**4,821**		**399**	**1,979**	**417**	**(7,616)**

2009/2010	**USABLE RESERVES**					**Movement in Unusable Reserves £'000**
	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Reserves £'000**	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(32,353)					32,353
Capital grants and contributions unapplied	87,541					(87,541)
Revenue expenditure funded from capital under statute	(8,931)					8,931
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of investment	5,468					(5,468)
Capital expenditure charged against the General Fund and HRA balances	5,121					(5,121)

2009/2010	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
Adjustments primarily involving the Capital Receipts Reserve						
Use of Capital Receipts Reserve to finance new capital expenditure			5,402			(5,402)
Contribution from the Capital Reserve					(33)	33
Adjustment primarily involving the Major Repairs Reserve						
Use of the Major Repairs Reserve to finance new capital expenditure				(671)		671
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(98)					98

2009/2010	USABLE RESERVES					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(21,149)					21,149
Employer's pension contributions and direct payments to pensioners payable in the year	13,804					(13,804)
Adjustment primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(283)					283
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(210)					210
Other	(29)					29
TOTAL	**48,881**		**5,402**	**(671)**	**(33)**	**(53,579)**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2010/2011.

	Balance at 1st April 2009 £'000	Transfers Out 2009/2010 £'000	Transfers In 2009/2010 £'000	Balance at 31st March 2010 £'000	Transfers Out 2010/2011 £'000	Transfers In 2010/2011 £'000	Balance at 31st March 2011 £'000
General Fund:							
Balances held by schools under scheme of delegation	(3,147)	868	(1,827)	(4,106)	952	(969)	(4,123)
Unallocated Reserves	(5,944)	0	(60)	(6,004)	0	(163)	(6,167)
Total General Fund	**(9,091)**	**868**	**(1,887)**	**(10,110)**	**952**	**(1,132)**	**(10,290)**
Earmarked Reserves							
Insurances	(384)	200	0	(184)	178	0	(6)
Print Unit	(70)	0	(59)	(129)	41	0	(88)
Match Funding	(394)	0	0	(394)	394	0	0
Leased Flats	(328)	0	(31)	(359)	0	(33)	(392)
LABGI	(233)	233	0	0	0	0	0
Invest to Save	(1,000)	103	0	(897)	270	0	(627)
Economic Downturn	(1,000)	0	(426)	(1,426)	926	0	(500)
Street Lighting PFI	0	0	(188)	(188)	0	(2,099)	(2,287)
Waste PFI	(3,262)	0	(2,963)	(6,225)	920	(429)	(5,734)
Termination costs	0	0	0	0	1,376	(5,553)	(4,177)
Other	(11,553)	0	(3,138)	(14,691)	14,687	(16,702)	(16,706)
Total Earmarked Reserves	**(18,224)**	**536**	**(6,805)**	**(24,493)**	**18,792**	**(24,816)**	**(30,517)**
HRA							
Housing Repairs Account	(1,539)	189	0	(1,350)	0	(264)	(1,614)

9. OTHER OPERATING EXPENDITURE

2009/2010 £'000		2010/2011 £'000
71	Flood Defence Levy	73
23	Payment to the Government Housing Capital Receipts Pool	142
0	Losses on the disposal of non-current assets	3,722
94	**Total**	**3,937**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/2010 £'000		2010/2011 £'000
11,544	Interest payable and similar charges	9,913
10,349	Pensions interest cost and expected return on pensions assets	8,284
(1,140)	Interest receivable and similar income	(447)
(655)	Other investment income	0
20,098	**Total**	**17,750**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/1010 £'000		2010/2011 £'000
(57,088)	Council tax income	(58,700)
(63,891)	Non domestic rates	(71,425)
(33,696)	Non-ringfenced government grants	(33,313)
(72,602)	Capital grants and contributions	(16,862)
(227,277)	**Total**	**(180,300)**

12. PROPERTY PLANT AND EQUIPMENT

The movement on tangible non current assets during the year were as follows:-

	Council Dwellings	Other HRA	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Investment Properties	Assets under Construction	Surplus Assets	TOTAL	*PFI assets in PPE*
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£'000	*£'000*
At 1st April 2010	177,105	3,194	324,629	24,271	296,768	3,205	10,560	10,150	3,555	853,435	*3,495*
Additions	19,524	64	18,016	945	64,854	12	13	6,292	0	109,723	*5,914*
Revaluation increase/(decreases) recognised in Revaluation Reserve	(252)	0	66,271	0	0	5	260	0	38	66,322	*0*
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(60,816)	(1,364)	(8,873)	0	0	(337)	(458)	0	(31)	(71,879)	*0*
Derecognition – disposals	(911)	0	0	0	0	0	(66)	0	0	(977)	*0*
Assets reclassified (to) or from Held for Sale	(20)	0	3,172	0	2088	0	0	(5,260)	0	(20)	*0*
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	*0*
At 31st March 2011	**134,630**	**1,894**	**403,215**	**25,216**	**363,710**	**2,885**	**10,311**	**11,182**	**3,562**	**956,606**	*9,409*
Accumulated Depreciation and Impairment											
At 1st April 2010	4,113	107	26,678	13,827	48,577	15	1	0	67	93,385	*85*
Depreciation charge	2,982	61	10,388	2,791	10,072	13	0	0	0	26,307	*174*
Depreciation written out to Revaluation Reserve	0	0	(11,566)	0	0	0	0	0	0	(11,566)	*0*
Depreciation written out to Surplus/Deficit on Provision of Services	(4,113)	(107)	(3,677)	0	0	(24)	0	0	0	(7,921)	*0*
Impairment losses or (reversables) recognised in Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	*0*
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0	0	*0*
Accumulated Depreciation c/f	2,982	61	21,823	16,618	58,649	4	1	0	67	100,205	*259*
Net Book Value **At 31st March 2011**	**131,648**	**1,833**	**381,392**	**8,598**	**305,061**	**2,881**	**10,310**	**11,182**	**3,495**	**856,400**	*9,150*
Net Book Value 2009/2010	*172,992*	*3,087*	*297,951*	*10,444*	*248,191*	*3,190*	*10,559*	*10,150*	*3,488*	*760,052*	

Depreciation

The following assets have been depreciated at varying rates in relation to their useful economic lives:

- Council Dwellings
- Other Land and Buildings
- Vehicles, Plant, Furniture and Equipment
- Infrastructure

Capital Commitments

At 31st March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years budgeted to cost £4.5m. Similar commitments at 31st March 2010 were £51m. The major commitments are:

St Mary's High School BSF Programme

Tramway

Leisure Assets Re-Development

Effects of Changes in Estimates

In 2010/2011, the Council made a material change to its accounting estimates for Property, Plant and Equipment in relation to the implementation of IFRS. This manifested itself in the following process being undertaken.

1) Identifying properties with a value in excess of de minimis levels (£1m)
2) Separating these properties into components
3) These components were to account for at least 20% of the value of the property
4) A component is identified where it meets the above criteria and has a different useful economic life than the main structure.

The valuation of these properties entailed valuers breaking the property down into components, so that differing depreciation rates can be applied to the elements of a property according to their own particular useful economic life.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every four years. Valuations were carried out both internally and externally during 2010/2011. These valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Component Accounting

Council Dwellings

The following assets with a net book value of £8.5m (included in Note) have been accounted for on a component basis. This means they are written off according to their own useful economic life.

Asset Type	Land £'000	Kitchens and Bathrooms £'000	Structure £'000	Total £'000
Houses	417	85	688	1,190
Flats	2,559	662	4,092	7,313
TOTAL	**2,976**	**747**	**4,780**	**8,503**

Other Land and Buildings

Items valued at £1m and above have been subject to component accounting. A component must be worth at least 20% of the value of the asset. As the valuations are on a 4 year rolling programme only the items below, which were included in the 2010/2011 valuations, have been considered for component accounting. This represents 40% of the total land and buildings.

Asset	Land £'000	Building £'000	Machinery/ Equipment £'000	Roofs £'000	Total £'000
Claremont Primary	210	1,120	670	450	2,450
Norbreck Primary	560	2,130	1,280	850	4,820
Moor Park Primary	390	1,135	680	455	2,660
Bispham High	510	1,160	780	160	2,610
Montgomery	860	3,830	230	1,530	6,450
Unity College	820	4,110	2,460	1,640	9,030
Palatine College	1,020	3,265	1,960	1,305	7,550
Palatine Leisure Centre	70	575	350	225	1,220
Revoe Primary	460	2,600	3,255	655	6,970
Stanley Park	140	1,590	950	640	3,320
Sports Centre	270	2,180	1,310	870	4,630
Roseacre Primary	100	1,355	810	545	2,810
Palatine Community College	470	2,915	1,750	1,165	6,300
Tower and Winter Gardens	0	37,759	35,842	34,282	107,883
Stanley Primary	320	1,840	1,100	740	4,000
TOTAL	**6,200**	**67,564**	**53,427**	**45,512**	**172,703**
Depreciation rates	nil	2%	8%	4%	

13. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009/2010 £'000		2010/2011 £'000
(666)	Rental income from investment property	(810)
1,771	Direct operating expenses arising from investment property	2,342
1,105	**Net (Gain)/Loss**	**1,532**

There are no restrictions on the Authority's ability to realise the value of its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance and enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

2009/2010 £'000		2010/2011 £'000
9,030	**Balance at start of the year**	**10,560**
	Additions:	
66	Subsequent expenditure	0
1,464	Other changes	(250)
10,560	**Balance at end of year**	**10,310**

14. FIXED ASSETS ANALYSIS

	31st March 2011 (Number of Assets)	31st March 2010 (Number of Assets)
Operational Assets		
Primary Schools	29	29
Secondary Schools	8	8
Specials Schools	3	3
Playing Fields	9	9
Children's Family Centres	3	3
Children's Homes	4	4
Children's Resource Centre	7	7
Children's Respite Centre	1	1
Sure Start Centres	3	3
Youth Centres	2	2
Youth Justice Centres	1	1
Assessment Centres for Elderly	2	2
Day Centres for Elderly	1	1
Homes for the Elderly	2	2
LD Respite Centres	2	2
LD Day Care Centres	1	1
MH Resource Centre	1	1
MH Residential	1	1
PD Resource Centres	1	1
Other Social Services	1	1
Cemeteries	4	4
Refuse Disposal Site	1	1
Civic Centres	2	2
Conveniences	28	30
Depots/Workshop/Storage	14	14
Gypsy Sites	1	1
Showgrounds	1	1
Town Hall & Other Offices	26	26
War Memorials	1	1
Allotments	8	8
Art Gallery	1	1
Bowling Greens and Related Assets	20	28
Golf Courses and Related Assets	2	2
Gymnasium	1	1
Leisure Centres and Buildings	46	46
Libraries	8	8
Parks & Open Spaces	80	81
Playgrounds/Recreation Grounds	53	53
Sports Pitches/Courts etc	59	59
Swimming Pools	4	4
Tourist Information Centres	2	2
Bus Stations	1	1
Car Parks	31	31
Roof Masts	2	2
Other	17	16
Council Dwellings	5,298	5,362
Non Operational Assets		
Business Park Assets	39	39
Caravan Park	1	1
Non operational Buildings and Assets	304	288

15. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licenses.

All software is given an infinite useful life based on the assessments of the period that the software is expected to be use of to the Authority. The useful lives assigned to major software suites used by the Authority are 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £6,000 charged to revenue in 2010/2011 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement in intangible asset balances during the year is as follows:

	2010/2011 £000	**2009/2010 £000**
Balance at start of year:		
Gross carrying amounts	872	872
Accumulated amortisation	(866)	(738)
Net carrying amount at start of year	**6**	**134**
Amortisation for the period	(6)	(128)
Net carrying amount at end of year	**0**	**6**
Comprising:		
Gross carrying amounts	872	872
Accumulated amortisation	(872)	(866)
	0	**6**

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2011 £'000	**31 March 2010 £'000**	**31 March 2011 £'000**	**31 March 2010 £'000**
Investments				
Loans and receivables	0	0	6,500	8,000
Unquoted equity investment at cost *	7,900	9,670	0	0
Total Investments	**7,900**	**9,670**	**6,500**	**8,000**
Debtors				
Financial assets carried at contract amounts	0	0	57,203	78,885
Total Debtors			**57,203**	**78,885**
Borrowings				
Financial liabilities at amortised cost	135,899	126,429	5,000	32,470
Total Borrowings	**135,899**	**126,429**	**5,000**	**32,470**
Creditors				
Financial liabilities carried at contract amount	(5,460)	(4,387)	(65,072)	(57,439)
Total creditors	**(5,460)**	**(4,387)**	**(65,072)**	**(57,439)**

* The fair value of Blackpool Transport Services

Income, Expense, Gains and Losses

2010/2011	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest expense	(7,721)	0	0	0	(7,721)
Losses on derecognition *	(200)	0	0	0	(200)
Total expense in Surplus or Deficit on the Provision of Services	**(7,921)**	**0**	**0**	**0**	**(7,921)**
Interest income	0	447	0	0	447
Total income in Surplus or Deficit on the Provision of Services	**0**	**447**	**0**	**0**	**447**
Losses on revaluation	0	0	(1,770)	0	(1,770)
Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure	**0**	**0**	**(1,770)**	**0**	**(1,770)**
Net gain/(loss) for the year	**(7,921)**	**447**	**(1,770)**	**0**	**(9,244)**

***** = premia arising on three PWLB loans repaid early

2009/2010	Financial Liabilities measured at amortised cost £'000	Financial Assets: loans and receivables £'000	Financial Assets: Available for Sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest expense	(8,115)	0	0	0	(8,115)
Total expense in Surplus or Deficit on the Provision of Services	**(8,115)**	**0**	**0**	**0**	**(8,115)**
Interest income	0	794	0	0	794
Total income in Surplus or Deficit on the Provision of Services	**0**	**794**	**0**	**0**	**(7,321)**
Losses on revaluation	0	0	(110)	0	(110)
Surplus/deficit arising on revaluation of financial assets in other Comprehensive Income and Expenditure	**0**	**0**	**(110)**	**0**	**(110)**
Net gain/(loss) for the year	**(8,115)**	**794**	**(110)**	**0**	**(7,211)**

(1) Available for Sale Assets – The Council holds all of the shares in Blackpool Transport Services Ltd which operates buses and trams within the Blackpool area. The shares cost £2,789,000. The fair value of the shares, based on the audited accounts to 27th March 2011 is £7.9m.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31st March 2011 of 1.47% to 4.19% for loans from the PWLB and 1.01% to 4.169% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	31st March 2011		31st March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	140,899	157,309	138,213	126,429
Long-term Creditors	60,255	60,255	53,260	53,260

The fair values of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	6,500	6,500	8,000	8,000
Long-term debtors	7,314	6,890	1,339	1,339
Short term debtors	57,203	57,203	78,884	78,884

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. INVENTORIES

2010/2011	Consumables £'000	Materials £'000	Work In Progress £'000	Total £'000
Balance outstanding at start of the year	**177**	**238**	**93**	**508**
Purchases	66	2,374	45	2,485
Recognised as an expense in the year	(69)	(2,265)	0	(2,334)
Balance outstanding at year end	**174**	**347**	**138**	**659**

2009/2010	Consumables £'000	Materials £'000	Work In Progress £'000	Total £'000
Balance outstanding at start of the year	**199**	**237**	**146**	**582**
Purchases	150	1,494	31	1,675
Recognised as an expense in the year	(172)	(1,493)	(84)	(1,749)
Balance outstanding at year end	**177**	**238**	**93**	**508**

18. LONG TERM INVESTMENTS

31 March 2010 £000		31 March 2011 £000
	Ordinary Shares (£1 per share) in:-	
9,670	Blackpool Transport Services Ltd	7,900
700	5% Share in Blackpool Airport	700
10,370	**TOTAL**	**8,600**

BLACKPOOL TRANSPORT SERVICES LIMITED

Investments in Blackpool Transport Services Limited consist of share capital (£2,789,000 at historic cost) in the company which was set up in accordance with the provisions of the Transport Act 1985 to operate the Council's municipal bus operation. The company provides a comprehensive passenger transport service in the Fylde coast area through its bus and tram operations. The Council leases the tramway and associated premises to Blackpool Transport Services Limited and as landlord is obliged to maintain the tramway and attend to exterior repairs to the depot and offices. The company is wholly owned by the Council.

the quoted market share prices, similar comparative companies and the audited accounts of Blackpool Transport Services have been used as the basis upon which to arrive at a formal valuation for the Council's shareholding of the company. The investment value included within the Council's balance sheet represents the value of Total Equity Shareholder Funds. In 2010/2011 there was a reduction in value of £1,770,000. All profit and losses on revaluation are credited or charged to the Available for Sale Reserve via the Movement in Reserves Statement.

BLACKPOOL AIRPORT

Upon the sale of Blackpool Airport to City Hopper Airports the Council retained a 5% share in the Airport.

BLACKPOOL OPERATING COMPANY LTD (SANDCASTLE WATERPARK)

The Council purchased the operation of the centre from a private company on 20th June 2003 and now wholly owns both the building and the commercial operator - Blackpool Operating Company Limited (BOC). The Council's shares in Blackpool Operating Company are valued at £2.

As 100% shareholders Blackpool Council agrees to meet all accumulated deficits or losses of Blackpool Transport Services Limited and Blackpool Operating Company.

19. LONG-TERM DEBTORS

Long-term debtors relate to amounts that are due to be repaid in over twelve months time. These include a share in land held for use under the Lancashire Waste Private Finance Initiative, care and repair loans and staff car loans.

31ST March 2010 £000		31st March 2011 £000
552	Waste PFI	552
221	Care & Repair Loans	221
165	Car Loans	148
40	Lancashire & Blackpool Tourist Board	40
0	Lancashire County Developments	297
211	Business Loans	489
0	Blackpool Pleasure Beach	5,000
88	HRA – Loan	88
62	Council mortgages	55
1,339	**TOTAL**	**6,890**

Waste PFI

The total value of land held under the PFI contract at current market value is estimated at £4.415m. Under the terms of the Joint Working Agreement, Blackpool Council will be due a 12.5% share of this at the end of the PFI contract.

Care and Repair Loans

These are loans to council tenants for home improvements and repairs to be paid back over a number of years

Car Loans

The number of outstanding long-term car loans at 31st March 2011 was 26 (32 as at 31 March 2010).

Lancashire and Blackpool Tourist Board

The loan to Lancashire and Blackpool Tourist Board was issued in January 2008. The loan is interest free and due to be repaid in January 2018.

Lancashire County Developments

The loan to Lancashire County Developments was due to be repaid in full in 2010/2011 and was therefore shown as a short term debtor in 2009/2010. Lancashire County Council re-negotiated the loan which is now due to be repaid in 2031 and has therefore now been transferred to long term debtors. Under requirements of IAS 32 this loan has been revalued to fair value. The original amount of the loan was £721,000. The loss of £424,000 (original value £721,000 less fair value £297,000) has been charged to the Comprehensive Income and Expenditure Account and then transferred to the Financial Instruments Adjustment Account via Movement in Reserves. This does not affect the loan repayment due to the authority in 2031.

The car loans and loan to Lancashire and Blackpool Tourist Board have not been recalculated to fair value due to the immaterial amounts.

Business Loans

In 2009/2010 the Council set up a £3m fund for businesses to safeguard and create jobs and help Blackpool get through the recession. The aim of the fund is to provide a lifeline for local, normally sound businesses that are currently experiencing difficulty in getting finance from the banks because of the global slow down. These loans have been divided into four categories:

- Retail – loans of £5,000 to assist businesses and premises in a defined Town Centre Area
- Promenade – loans of £5,000 to help businesses situated between Central and North Pier
- Investment Fund – up to £150,000 loans for businesses that are growing or planning to invest in Blackpool thereby bringing new jobs to the town.
- Credit Crunch – this loan fund applies to good and sound businesses experiencing cash flow problems but not within other categories.

Three new loans totalling £316,500 were issued in 2010/2011.

Blackpool Pleasure Beach

In 2010/2011 the authority granted a loan of £5m to Blackpool Pleasure Beach towards the development of Nickolodean Land. The loan is due to be repaid by September 2018 and interest is charged at the market rate.

20. DEBTORS

31st March 2010 £000		31st March 2011 £000
12,647	Central government bodies	23,319
(1,900)	Impairment	(3,500)
10,747	**Central government bodies net of impairment**	**19,819**
1,241	Other local authorities	892
(270)	Impairment	(200)
971	**Other local authorities net of impairment**	**692**
847	NHS bodies	277
(220)	Impairment	(75)
627	**NHS bodies net of impairment**	**202**
26	Public corporations and trading funds	0
0	Impairment	0
26	**Public corporations and trading funds net of impairment**	**0**
65,340	Other entities and individuals	34,353
(4,864)	Impairment	(4,570)
60,476	**Other entities and individuals net of impairment**	**29,783**
6,506	Council tax debtors	7,112
(2,318)	Impairment	(3,235)
4,188	**Council tax debtors net of impairment**	**3,877**
77,035	**NET VALUE OF DEBTORS**	**54,373**

In 2010/2011 debtors relating to the Collection Fund included council tax arrears of £8.3m (£6.5m in 2009/2010) of which £1.2m was attributable to precept authorities. Non-domestic rate arrears were £4.6m (£4.04m in 2009/10).

21. PAYMENTS IN ADVANCE

31 March 2010 £000		31 March 2011 £000
1,072	Children, Adults and Family Services	2,233
482	Places	144
121	Corporate and Democratic	122
157	Blackpool Services	180
18	Other	151
1,850	**TOTAL PAYMENTS IN ADVANCE**	**2,830**

22. SHORT TERM CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31 March 2010 £'000		31 March 2011 £'000
158	Cash held by the Authority	219
989	Bank current accounts	1,830
8,000	Short-term deposits with institutions	6,750
9,147	**Total cash and cash equivalents**	**8,799**

23. ASSETS HELD FOR SALE

	Non Current Assets	
	2010/2011 £'000	**2009/2010 £'000**
Balance outstanding at start of year	**3,488**	**3,317**
Assets classified as held for sale:		
Revaluation losses	0	0
Revaluation gains	38	189
Impairment losses	(31)	(18)
Balance outstanding at year end	**3,495**	**3,488**

24. RECEIPTS IN ADVANCE

31ST March 2010 £000		31ST March 2011 £000
(6,623)	Children, Adults and Families	(4,888)
(2,385)	Places	(2,632)
(404)	Housing Revenue Account	(377)
0	Capital	(3,734)
(461)	Collection Fund	(529)
(1,309)	Blackpool Services	(591)
(1,533)	Other	(1,459)
(12,715)	**TOTAL**	**(14,210)**

25. SHORT TERM CREDITORS

31st March 2010 £000		31st March 2011 £000
(6,243)	Central Government Bodies	(5,162)
(4,818)	Other Local Authorities	(4,096)
(946)	NHS Bodies	(522)
(32,717)	Other entities and individuals	(41,082)
(44,724)	**TOTAL VALUE OF CREDITORS**	**(50,862)**

26. PROVISIONS

2010/2011	Injury and Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2010	**(2,100)**	**(2,729)**	**(4,829)**
Additional provisions made in 2010/2011	0	(6,542)	(6,542)
Amounts used in 2010/2011	720	5,529	6,249
Unused amounts reversed in 2010/2011	0	248	248
Balance at 31 March 2011	**(1,380)**	**(3,494)**	**(4,874)**

2009/2010	Injury and Damage Compensation Claims £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2009	**(2,200)**	**(4,088)**	**(6,288)**
Additional provisions made in 2009/2010	0	(1,243)	(1,243)
Amounts used in 2009/2010	100	1,602	1,702
Unused amounts reversed in 2009/2010	0	1,000	1,000
Balance at 31 March 2010	**(2,100)**	**(2,729)**	**(4,829)**

Outstanding legal cases

Injury Compensation Claims

Most of the injury compensation claims are individually insignificant. Significant claims are detailed in Note 3. They relate to personal injuries sustained where the Authority is alleged to be at fault (eg through failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled by 2012/2013. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised.

Other provisions

All other provisions are individually insignificant.

27. USABLE RESERVES

31st March 2010 £'000		31st March 2011 £'000
(4,106)	Schools Reserves	(4,123)
(6,004)	Unallocated General Fund Reserves	(6,167)
(1,350)	Housing Revenue Account	(1,614)
(24,493)	Earmarked Revenue Reserves	(30,517)
(3,676)	Capital Receipts Reserve	(3,277)
(1,979)	Major Repairs Reserve	0
(6,534)	Capital Reserves	(6,067)
(48,142)	**Total Usable Reserves**	**(51,765)**

28. UNUSABLE RESERVES

31 March 2010 £'000		31 March 2011 £'000
(57,450)	Revaluation Reserve	(130,661)
(7,581)	Available for Sale Financial Instrument Reserve	(5,811)
(478,979)	Capital Adjustment Account	(426,282)
3	Financial Instruments Adjustment Account	836
190,661	Pensions Reserve	136,262
1,255	Collection Fund Adjustment Account	119
3,644	Accumulated Absences Account	3,727
(348,447)	**Total Unusable Reserves**	**(421,810)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/2010 £'000		**2010/2011 £'000**
(29,788)	**Balance at 1 April**	**(57,802)**
(28,902)	Upward revaluation of assets	(67,385)
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,420
	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	
888	Difference between fair value depreciation and historical cost depreciation	(10,880)
	Accumulated gains on assets sold or scrapped	1,184
352	Amount written off to the Capital Adjustment Account	1,802
(57,450)	**Balance at 31 March**	**(130,661)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2009/2010 £'000		2010/2011 £'000
(7,691)	**Balance at 1 April**	**(7,581)**
0	Upward revaluation of investments	
110	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1,770
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	
(7,581)	**Balance at 31 March**	**(5,811)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note (7) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/2010 £'000		2010/2011 £'000
(241,018)	**Balance at 1 April**	**(478,979)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
53,295	▪ Charges for depreciation and impairment of non-current assets	81,124
	▪ Revaluation Losses on Property, Plant and Equipment	
128	▪ Amortisation of intangible assets	
10,951	▪ Revenue expenditure funded from capital under statute	(1,678)
	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
0	Adjusting amounts written out of the Revaluation Reserve	(1,443)
0	Net written out amount of the cost of non-current assets consumed in the year	0
	Capital financing applied in the year	
(5,484)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(771)
(3,043)	▪ Use of the Major Repairs Reserve to finance new capital expenditure	(5,682)
(23,088)	▪ Capital grants and contributions credited to the Comprehensive Income and expenditure Statement that have been applied to capital financing	
(265,499)	▪ Application of grants to capital financing from the Capital grants Unapplied Account	(16,862)
(5,221)	▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,991)
	▪ Capital expenditure charged against the General Fund and HRA balances	
(478,979)	**Balance at 31 March**	**(426,282)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2009/2010 £'000		2010/2011 £'000
(60)	**Balance at 1 April**	**3**
	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	
63	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	833
3	**Balance at 31 March**	**836**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resource set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/2010 £'000		2010/2011 £'000
125,771	**Balance at 1 April**	**190,661**
57,545	Actuarial gains and losses on pensions assets and liabilities	(35,421)
(14,759)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(8,303)
22,104	Employer's pension contributions and direct payments to pensioners payable in the year	(10,675)
190,661	**Balance at 31 March**	**136,262**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising form the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax payers compared with statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/2010 £'000		2010/2011 £'000
972	**Balance at 1 April**	**1,255**
283	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,136)
1,255	**Balance at 31 March**	**119**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/2010 £'000		2010/2011 £'000
3,434	**Balance at 1 April**	**3,644**
(3,434)	Settlement or cancellation of accrual made at the end of the preceding year	(3,644)
3,644	Amounts accrued at the end of the current year	3,727
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
3,644	**Balance at 31 March**	**3,727**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities consists of a number of items including the following:

2009/2010 £'000		2010/2011 £'000
(1,749)	Interest Received	(206)
9,788	Interest Paid	8,049
164	Dividends Received	0
8,203	**Total**	**7,843**

30. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/2010 £'000		2010/2011 £'000
131,934	Purchase and enhancement of property, plant and equipment, investment property and intangible assets	115,513
7,233	Other payments for investing activities	0
(5,485)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(716)
(65,291)	Other receipts from investing activities	(79,769)
68,391	**Net cash flows from investing activities**	**35,028**

31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/2010 £'000		2010/2011 £'000
(76,920)	Cash receipts of short and long term borrowing	(67,322)
0	Other receipts from financing activities	(1,250)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	
24,500	Repayments of short and long term borrowing	90,837
0	Other payments for financing activities	0
(52,420)	**Net cash flows from financing activities**	**22,265**

32. CASH FLOW STATEMENT – CASH & CASH EQUIVALENTS

	31st March 2010 £'000	31st March 2011 £'000	Movement £'000
Cash in Hand & at Bank	1,147	1,949	802
Bank Overdrawn	(4,061)	0	4,061
Short term borrowing	(32,470)	0	32,470
Short term Investments	8,000	6,750	(1,250)
Long term borrowing	(127,780)	(142,113)	(14,333)
Loan to BID	0	100	100
Business Loans	211	5,489	5,278
TOTAL	**(154,953)**	**(127,825)**	**27,128**

33. AMOUNTS REQUIRED FOR RESOURCES ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Councils Executive Committee on the basis of budget reports analysed across the directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/2011	**Resources Directorate £'000**	**Blackpool Services £'000**	**Places Directorate £'000**	**Childrens, Family & Adult Services £'000**	**Chief Executive £'000**	**Policy, Transform. & Comms £'000**	**HR & Organisation Development £'000**	**Budgets outside the cash limit £'000**	**Total £'000**
Fees, charges & other income	3,233	24,523	11,883	46,673	0	139	642	2,044	**89,137**
Government grants	521	422	6,355	129,113	0	72	24	108,869	**245,376**
Recharges to the services	14,084	11,326	11,161	2,551	766	1,103	3,158	2,441	**46,590**
Total Income	**17,838**	**36,271**	**29,399**	**178,337**	**766**	**1,314**	**3,824**	**113,354**	**381,103**
Employee expenses	13,630	21,004	15,098	130,579	513	909	3,359	79	**185,171**
Other expenses	6,342	49,770	36,534	123,551	74	234	759	126,806	**344,070**
Support services recharges	3,429	4,392	4,362	11,880	34	60	178	4,531	**28,866**
Total Expenditure	**23,401**	**75,166**	**55,994**	**266,010**	**621**	**1,203**	**4,296**	**131,416**	**558,107**
Net Expenditure	**5,563**	**38,895**	**26,595**	**87,673**	**(145)**	**(111)**	**472**	**18,062**	**177,004**

Income and Expenditure 2009/2010	Resources Directorate £'000	Blackpool Services £'000	Places Directorate £'000	Childrens, Family & Adult Services £'000	Chief Executive £'000	Policy, Transform & Comms £'000	HR & Organisation Development £'000	Budgets outside the cash limit £'000	Total £'000
Fees, charges & other income	3,594	23,011	7,064	43,756	0	234	635	4,889	83,183
Government grants	540	481	2,636	121,822	0	60	70	100,834	226,443
Recharges to the services	13,729	12,811	7,919	3,121	890	902	2,787	1,305	43,464
Total Income	**17,863**	**36,303**	**17,619**	**168,699**	**890**	**1,196**	**3,492**	**107,028**	**353,090**
Employee expenses	13,151	21,502	14,368	125,344	658	824	3,480	140	179,467
Other expenses	6,846	45,737	22,210	112,078	75	357	957	123,367	311,627
Support services recharges	3,607	5,047	3,828	11,883	24	52	167	4,641	29,249
Total Expenditure	**23,604**	**72,286**	**40,406**	**249,305**	**757**	**1,233**	**4,604**	**128,148**	**520,343**
Net Expenditure	**5,741**	**35,983**	**22,787**	**80,606**	**(133)**	**37**	**1,112**	**21,120**	**167,253**

Reconciliation of the Directorates Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shoes how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/2010 £'000		2010/2011 £'000
167,253	Net expenditure in the directorate analysis	177,004
470	Net expenditure of services and support services not included in the analysis	9,677
0	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	0
(17,723)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(40,839)
150,000	**Cost of Service in Comprehensive Income and Expenditure Statement**	**145,842**

Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/2011	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other income	89,137	460	18,352	107,949	810	108,759
Interest and investment income	0	0	(206)	(206)	447	241
Income from Council Tax	0	0	0	0	58,700	58,700
Government Grants & Other Contributions	245,376	0	0	245,376	122,415	367,791
Support Services	46,590	2,200	0	48,790	0	48,790
Total Income	**381,103**	**2,660**	**18,146**	**401,909**	**182,372**	**584,281**
Employee expenses	185,171	(23)	(5)	185,143	5	185,148
Other service expenses	344,070	12,343	8,438	364,851	2,336	367,187
Support services recharges	28,866	17	0	28,883	0	28,883
Depreciation, amortisation and impairment	0	0	4,166	4,166	815	4,981
Interest Payments	0	0	(8,049)	(8,049)	9,914	1,865
Precepts and Levies	0	0	0	0	73	73
Payments to Housing Capital Receipts Pool	0	0	0	0	142	142
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	3,722	3,722
Pensions	0	0	(27,243)	(27,243)	8,284	(18,959)
Total Expenditure	**558,107**	**12,337**	**(22,693)**	**547,751**	**25,291**	**573,042**
Surplus or Deficit on the Provision of Services	**177,004**	**9,677**	**(40,839)**	**145,842**	**(157,081)**	**(11,239)**

2009/2010	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other income	83,183	18,105	0	101,288	1,321	102,609
Interest and investment income	0	0	(807)	(807)	1,140	333
Income from Council Tax	0	0	0	0	57,088	57,088
Government Grants & Other Contributions	226,443	0	21,985	248,428	170,191	418,619
Recharges to support services	43,464	0	0	43,464	0	43,464
Total Income	**353,090**	**18,105**	**21,178**	**392,373**	**229,740**	**622,113**
Employee expenses	179,467	0	0	179,467	0	179,467
Other service expenses	311,627	18,575	5,970	336,172	1,772	337,944
Support services recharges	29,249	0	0	29,249	0	29,249
Depreciation, amortisation and impairment	0	0	7,489	7,489	0	7,489
Interest Payments	0	0	(10,004)	(10,004)	11,545	1,541
Precepts and Levies	0	0	0	0	71	71
Payments to Housing Capital Receipts Pool	0	0	0	0	23	23
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0
Pensions	0	0	0	0	10,349	10,349
Total Expenditure	**520,343**	**18,575**	**3,455**	**542,373**	**23,760**	**566,133**
Surplus or Deficit on the Provision of Services	**167,253**	**470**	**(17,723)**	**150,000**	**(205,980)**	**(55,980)**

34. TRADING OPERATIONS

The Authority has 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

	2010/2011 £'000	2009/2010 £000
Building Maintenance		
Expenditure	3,432	3,616
Income	(3,497)	(3,647)
Net Expenditure	**(65)**	**(31)**
Vehicle Maintenance		
Expenditure	1,207	1,220
Income	(1,192)	(1,201)
Net Expenditure	**15**	**19**
Building Cleaning		
Expenditure	1,101	1,077
Income	(1,143)	(1,086)
Net Expenditure	**(42)**	**(9)**

35. ON-STREET PARKING SURPLUS

Decriminalised Parking Enforcement (DPE) of on-street parking was introduced in November 2003 as part of the Local Transport Plan with the aim of reducing congestion and improving traffic management. The surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use that DPE surpluses may be put to.

	2010/2011 £000	2009/2010 £000
On-street parking operation surplus	(1,627)	(1,869)
Utilised to Fund:		
Public Transport	3,400	4,539
Traffic Management and Road Safety	416	414
Total Qualifying Expenditure	**3,816**	**4,953**

36. AGENCY SERVICES

The Authority provides payroll services for Chorley Borough Council, Fylde Borough Council, High Peak Community Housing, Blackpool Coastal Housing, Baines School and Claremont First Step Centre. These organisations pay a management fee to the Council for the service. The total management fee received by the Council in 2010/2011 was £96,153 (2009/2010 £88,331). The management fee is based on the number of employees paid.

37. POOLED BUDGETS

Section 31 of the Health Act 1999 allows the establishment of joint working arrangements between National Health Service bodies and local authorities in order to improve and co-ordinate services.
Each partner makes a contribution to a pooled budget, with the aim of providing integrated services and activities for a client group. Funds contributed are those normally used for services represented in the pooled budget and allow the organisations involved to act in a more cohesive way.
The Council together with NHS Blackpool has established from 1st April 2003 a partnership for the purposes of commissioning services for Adults with Learning Disabilities.

	2010/2011 £'000	2009/2010 £000
Expenditure		
In house provision	8,257	7,523
External providers	8,674	9,397
Total Expenditure	**16,931**	**16,920**
Income		
Blackpool Council	(10,903)	(10,119)
NHS Blackpool	(6,028)	(6,760)
Supporting People	0	(41)
Nibbles project income	0	0
Total Income	**(16,931)**	**(16,920)**
SURPLUS CARRIED FORWARD	**0**	**0**
Surplus split:		
Blackpool Council 58%	0	0
NHS Blackpool 42%	0	0

38. MEMBERS ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year.

	2010/2011 £'000	2009/2010 £'000
Allowances	460	452
Expenses	33	42
Total	**493**	**494**

39. OFFICERS' REMUNERATION

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 is set out below. The total of 185 includes 102 teachers (179 includes 98 teachers in 2009/2010).

	Number in 2010/2011	Number in 2009/2010
£50,000 - £54,999	69	57
£55,000 - £59,999	36	35
£60,000 - £64,999	17	31
£65,000 - £69,999	16	13
£70,000 - £74,999	18	15
£75,000 - £79,999	9	5
£80,000 - £84,999	5	7
£85,000 - £89,999	4	2
£90,000 - £94,999	3	3
£95,000 - £99,999	1	1
£100,000 - £104,999	1	2
£105,000 - £109,999	1	1
£110,000 - £114,999	1	1
£115,000 - £119,999	0	1
£120,000 - £124,999	0	1
£125,000 - £129,999	1	1
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	1
£145,000 - £149,999	1	0
£150,000 - £154,999	0	2
£170,000 - £174,999	1	0
TOTAL	**185**	**179**

The above includes salary, redundancy and minor allowances

The following tables set out the remuneration disclosure for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

2010/2011

POST HOLDER INFORMATION	SALARY £	EXPENSE ALLOWANCE £	COMPENSATION FOR LOSS OF OFFICE (Note A) £	BENEFITS IN KIND £	TOTAL EXCLUDING PENSIONS £	EMPLOYER PENSION CONTRIBUTIONS £	TOTAL INCLUDING PENSION £
Chief Executive	143,832	963	0	1,254	146,049	23,301	169,350
Assistant Chief Executive	68,994	0	0	173	69,167	11,177	80,344
Director of Resources *(Note C)*	93,486	963	0	522	94,971	15,145	110,116
Director of Children's Adults and Families *(Note C)*	126,525	963	0	669	128,157	20,497	148,654
Director of Places *(Note C)*	110,027	963	0	282	111,272	17,824	129,096
Director of Blackpool Services – Resigned 23/7/10 *(Note C & E)*	32,504	386	0	579	33,469	5,266	38,735
Acting Director Of Blackpool Services from 1/8/10 *(Note E)*	60,547	846	0	461	61,854	9,265	71,119
Assistant Chief Executive – Human Resources & Organisation Development	70,119	0	0	1,061	71,180	11,359	82,539
Chief Executive – Re-Blackpool – Left 31/3/11 *(Note D)*	138,891	7,200	21,220	5,493	172,804	22,500	195,304
TOTAL	**844,925**	**12,284**	**21,220**	**10,494**	**888,923**	**136,334**	**1,025,257**

2009/2010

POST HOLDER INFORMATION	SALARY £	EXPENSE ALLOWANCE £	COMPENSATION FOR LOSS OF OFFICE £	BENEFITS IN KIND £	TOTAL EXCLUDING PENSIONS £	EMPLOYER PENSION CONTRIBUTIONS £	TOTAL INCLUDING PENSION £
Chief Executive	143,832	906	-	-	144,738	23,301	168,039
Assistant Chief Executive	63,972	-	-	199	64,171	11,162	75,333
Executive Director of Business Services *Left 31st March 2010*	122,263	906	194,747	684	318,600	19,847	338,447
Executive Director of Children and Young People	115,067	906	-	1,248	117,221	18,641	135,862
Executive Director of Adult Social Care *Left 31st March 2010*	102,469	906	191,889	-	295,264	16,600	311,864
Executive Director of Culture and Communities	102,469	906	-	661	104,036	16,600	120,636
Executive Director of Tourism and Regeneration	110,027	1,330	-	840	112,197	17,824	130,021
Chief Executive – Re-Blackpool	140,729	7,200	-	5,566	153,495	22,500	175,995
TOTAL	**900,828**	**13,060**	**386,636**	**9,198**	**1,309,722**	**146,475**	**1,456,197**

NOTES

A – Compensation for loss of office includes statutory redundancy pay and statutory pension strain.

B - Following a review of senior management the posts of Executive Director of Business Services, Executive Director of Adult Social Care, Executive Director of Culture &Communities, Executive Director of Tourism & Regeneration and Executive Director of Children's Services were disestablished on 31st March 2010.

C – The posts of Director of Resources, Director of Children, Adults and Families, Director of Places, Director of Blackpool Services and Assistant Chief Executive – Human Resources and Organisation Development were established on 1st April 2010.

D – The post of Chief Executive – Re Blackpool was disestablished on 31st March 2011.

E – The Director of Blackpool Services resigned on 23rd July 2010, their annualised salary was £103,434. The Head of Neighbourhoods became Acting Director of Blackpool Services on 1st August 2010, their annualised salary was £90,820.

F - In addition to the Employers Pension Contributions shown above the employees contribute 7.2% - 7.5% of superannuable pay.

G – Expense Allowances include essential car user payments. Benefits in kind include travel expenses, professional fees etc

40. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/2011 £000	2009/2010 £000
Fees payable to the Auditors with regard to external audit services carried out by the appointed auditor	239	243
Fees payable to the Auditors in respect of statutory inspection	17	17
Fees payable to the Auditors for the certification of grant claims and returns	98	100
TOTAL	**354**	**360**

41. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, School and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget as defined in the School finance (England) Regulations 2008. The schools budget includes elements for a range of educational services provided on an authority wide basis and for the individual schools budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/2011 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2010/2011	13,417	73,316	86,733
Brought forward from 2009/2010	(373)	0	(373)
Agreed budgeted distribution in 2010/2011	13,044	73,316	86,360
Actual central expenditure	13,025	0	13,025
Actual ISB deployed to schools	0	73,335	73,335
(Over)/under spend carried forward to 2011/2012	**19**	**(19)**	**0**

42. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011.

	2010/2011 £'000	2009/2010 £'000
Credited to Taxation and Non Specific Grant Income		
Area Based Grant	22,941	18,771
Revenue Support Grant	10,372	14,747
Housing and Planning Grant	0	178
NNDR	71,425	63,891
Capital Grants	16,862	72,604
Total	**121,600**	**170,191**
Credited to Services		
Dedicated Schools Grant	86,733	84,291
Standards Fund	16,467	11,792
Sure Start	6,541	6,002
Housing benefit and Council Tax Benefit Administration Subsidy	2,009	2,327
Council Tax Benefit Subsidy	19,212	17,562
Rent Allowance Subsidy	71,669	65,565
Rent Rebates to HRA Tenants Subsidy	14,311	12,103
Other Grants and contributions	54,482	94,423
Total	**271,424**	**294,065**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the provider. The balances at year end are as follows:

	2010/2011 £'000
Capital Grants Receipts in Advance	
Primary Capital Programme	12,066
BSF Funding	5,143
HCA	1,321
Tramway	1,284
Seafront	1,138
Other Grants	5,874
Contributions	1,584
Total	**28,410**

43. RELATED PARTIES

In accordance with FRS 8 the Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Related party transactions include:-

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of transactions with government departments are set out in Note 43.

Lancashire Police Authority and Lancashire Fire Authority

The level of council tax set by the Council each year includes a precept element, which the Council pays to Lancashire Police Authority and Lancashire Fire Authority. (See Collection Fund – Precepts).

Joint Ventures and Joint Venture Partners

During 2009/2010 the Council distributed the European Regional Development Fund and Learning Skills Council allocations from Central Government.

Subsidiary and Associated Companies

The Council has an interest in three wholly owned companies: Blackpool Transport Services Ltd, Blackpool Operating Company (Sandcastle Waterpark) and Blackpool Coastal Housing. The Council also has a 20% share in Connexions, a 43% share in Lancashire and Blackpool Tourist Board and 50% in the Blackpool, Fylde and Wyre Economic Development Company. In addition the Council has a 5% share in Blackpool Airport. More detailed information on the group companies can be found in the Group Accounts section of the Statement of Accounts.

Shared Service

On 1st April 2008 the Council entered into a shared service arrangement with Fylde Borough Council for the provision of a Benefits and Revenues Service. The full cost of the service in 2010/2011 was £5,062,935 of which £3,998,482 related to Blackpool.

Members and Chief Officers

It is considered that transactions identified involving Members and Chief Officers with related parties are not material.

Assisted Organisations

The Council has entered into a number of service level agreements with a number of local voluntary organisations and provides material financial assistance to them. In 2010/2011 two new service level agreements were set up with the Volunteer Centre and Groundworks. In previous years these organisations received a general grant from the Council under Section 137.

	2010/2011 £	2009/2010 £
Blackpool Council for Voluntary Services	33,003	32,356
Blackpool Citizens Advice Bureau	69,820	68,451
Lancashire Disability Information Federation	24,461	23,981
PIP Integration	18,677	18,311
PIP Link	18,677	18,311
Streetlife Trust	43,650	42,794
Blackpool Centre for the Unemployed	28,419	27,862
Relate Blackpool	3,340	3,274
Blackpool Boys and Girls Club	15,606	15,300
Disability Services	15,300	15,000
Volunteer Centre	30,600	0
Groundworks	35,700	0
TOTAL	**337,253**	**265,640**

44. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/2011 £000	2009/2010 £000
Capital Financing Requirement		
Opening Capital Financing Requirement	**195,136**	**164,599**
Capital Investment		
Property, Plant and Equipment	103,417	133,555
Investment Properties	6,292	0
Intangible Assets	13	0
Revenue Expenditure funded from Capital under Statute	5,791	7,233
Sources of Finance		
Capital Receipts	(716)	(5,485)
Government Grants & Other Contributions	(79,769)	(90,642)
Sums set aside from Revenue	(14,871)	(14,124)
Closing Capital Financing Requirement	215,293	195,136
Explanations of Movements in Year		
Increase in underlying need to borrow (supported by Government Financial Assistance)	9,460	15,947
Increase in underlying need to borrow (unsupported by Government financial assistance)	4,992	14,590
Assets acquired under PFI contracts	5,705	0
Increase/(decrease) in Capital Financing Requirement	**20,157**	**30,537**

45. LEASES

Authority as Lessee

Finance Leases

The Council has acquired a number of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/2011 £'000	2009/2010 £'000
Vehicles, Plant and Equipment	2,622	624

The Authority is committed to making payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance lease costs that will be payable by the Authority in future years while the liability remains outstanding.

The minimum lease payments will be payable over the following periods:

	Finance Lease Payments	
	31st March 2011 £'000	31st March 2010 £'000
Not later than one year	757	144
Later than one year and not later than five years	1,479	426
Later than five years	0	0
Total	**2,236**	**570**

Operating Leases

The Authority has acquired assets by entering into operating leases, with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2011 £'000	31st March 2010 £'000
Not later than one year	39	214
Later than one year and not later than five years	0	447
Later than five years	0	148
Total	**39**	**809**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/2011 £'000	2009/2010 £'000
Minimum lease payments	63	326
Contingent rents	0	0
Total	**63**	**326**

The Authority as Lessor

The Council has granted various property leases including the lease of the Sandcastle to Blackpool Operating Company. The rentals received in 2010/2011 amounted to £662,000 (2009/2010 £662,000). The gross value of the assets held for use in leases was £5.15m at 31st March 2011 (2009/2010 £5.15m). The assets have been subject to £763,000 depreciation up to that date.

All assets where the Council acts as lessor are considered operating leases in nature. The key determinations of the nature of a lease are :

1. Restriction on use
2. Risks and rewards are not transferred
3. Value of lease payment does not amount to significant proportion of the fair value of the property
4. The lease related to land only.

Operating Leases

The future minimum lease payments receivable under non-cancellable lease in future years are:

	31st March 2011 £'000
Not later than one year	1,226
Later than one year and not later than five years	4,567
Later than five years	9,783
Total	**15,576**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

46. PRIVATE FINANCE INITIATIVE (PFI)

Waste Disposal PFI

The Council has entered into a Joint Working Agreement with Lancashire County Council (LCC) to co-operate in the provision of certain waste disposal functions. The Council has authorised Lancashire County Council to enter into a PFI contract with Global Renewables Lancashire Ltd and administer all matters under that contract on behalf of Blackpool Council.

The County Council signed a PFI (Private Finance Initiative) contract with Global Renewables Lancashire (GRL) Limited in March 2007. The contract provides for waste treatment facilities at two central locations, Farington and Thornton.

The facilities will receive and process 'green' garden and kitchen waste, 'recyclable' waste such as paper, glass, aluminium cans and textiles, and residual 'black bag' rubbish from households in Lancashire and Blackpool. As the County Council's partner for the project, Blackpool Council will contribute towards the costs. The basis of the partnership is set out in the Joint Working Agreement. Thornton Waste Recovery Park reached full service commencement on 10th May 2011. Farington Waste Recovery Park is scheduled to reach full service commencement in September 2011.

£90m PFI credits were awarded to the project. The PFI credits enable LCC to receive PFI special grant for the life of the project. The payments of PFI grant commenced in 2007/08. Payments to the PFI contractor also commenced in 2007/08. The payments to the PFI contractor were met from the PFI special grant, however the payments to the PFI contractor were less than the amount of PFI grant received (this is a short term position – as the construction period progresses over the next couple of years and the facilities start to process waste the payments to the contractor will exceed the PFI grant received). The unspent balance of PFI special grant has been transferred to the Waste PFI reserve. The reserve will be used to fund the future costs of the Waste PFI project.

Street Lighting and Signals PFI
This project will be for 25 years with the service provider now responsible for the management and maintenance of street lights and signals within Blackpool. The project commenced on 4th January 2010. The contract was awarded to Community Lighting Partnership. The total sum payable to the contractor over the term of the contract is £130m, being met from Government Grant and Authority contributions. The scheme, supported by the Department for Transport, was signed in December 2009, and provides for the design, maintenance and replacement of Street Light and Signals across the town.

The assets relating to the Street lighting and signals PFI are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

		£'000
2011/2012	Repayment of Liability	472
	Interest	518
	Service Charge	2,025
	Sub Total	**3,015**
2012/2013 to 2015/2016	Repayment of Liability	2,763
	Interest	4,762
	Service Charge	7,849
	Sub Total	**15,374**
2016/2017 to 2020/2021	Repayment of Liability	4,149
	Interest	6,257
	Service Charge	10,198
	Sub Total	**20,604**
2021/2022 to 2025/2026	Repayment of Liability	5,919
	Interest	6,014
	Service Charge	6,028
	Sub Total	**17,961**
2026/2027 to 2030/2031	Repayment of Liability	7,146
	Interest	6,280
	Service Charge	9,766
	Sub Total	**23,192**
2031/2032 to 2035/2036	Repayment of Liability	8,676
	Interest	5,025
	Service Charge	12,192
	Sub Total	**25,893**
2036/2037 to 2040/2041	Repayment of Liability	9,593
	Interest	2,808
	Service Charge	-
	Sub Total	**12,401**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2010/2011 £'000	2009/2010 £'000
Balance outstanding at start of year	(3,417)	0
Payments during the year	2,032	163
Capital expenditure incurred in year	(5,656)	(3,580)
Other movements		0
Balance outstanding at year end	**(7,041)**	**(3,417)**

47. IMPAIRMENT LOSSES

During 2010/2011, the Authority has recognised an impairment loss of £3,265,400 in relation to land and buildings. The impairment loss has been charged to the following lines in the Comprehensive Income and Expenditure Statement:

Adult Social Care	£1,165,400
Education and Children's Services	(£ 509,000)
Cultural, Planning & Regulatory Services	£2,595,200
Housing Services	£ 13,800

48.TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £1.4m. Of this total £21,220 is payable to Chief Executive of Re-Blackpool in the form of compensation of loss of office as disclosed in note 40. The remaining £1.378m is payable to 214 officers from across the Council who were made redundant as part of the Authority's rationalisation of the services.

49. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of the members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/2011 the Council paid £5,918,831 (2009/10 £6,026,152) to the Department for Education in respect of teachers retirement benefits, representing 14.10% (2009/2010 14.10%) of teachers' pensionable pay. In addition the Council is responsible for all pension payments relating to awards of added years and other related increases. In 2010/2011 these amounted to £116,004 (£96,385 in 2009/2010), which represents 0.28% of pensionable pay.

50. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority ha a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the following post employment scheme:

- The Local Government Pension Scheme, administered by Lancashire County Council this is a funded scheme, which means that the Council and employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with the investment assets.

The Lancashire County Pension Fund (LCPF) scheme is a defined benefit scheme. This means that the retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Combined effect of the LCPF and unfunded teacher's pensions	
	2010/2011 £'000	**2009/2010 £'000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
○ Current Service Cost	15,379	9,394
○ Past Service Costs	(27,804)	819
○ Settlements and Curtailments	561	587
Financing and Investment Income and Expenditure		
○ Interest Cost	26,922	24,007
○ Expected Return on Scheme Assets	(18,638)	(13,658)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(3,580)**	**21,149**
Movement in Reserves Statement		
○ Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	18,978	(7,345)
Actual amount charged against the General Fund Balance for pensions in the year:		
○ **Employers contributions payable to scheme**	**15,398**	**13,804**

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Combined effect of the LCPF and unfunded teacher's pensions	
	2010/2011 £'000	**2009/2010 £'000**
Opening Balance at 1st April	**(190,661)**	**(125,771)**
Current Service Cost	(15,379)	(9,394)
Interest Cost	(26,922)	(24,007)
Contributions by scheme participants	15,398	13,804
Actuarial gains and losses	35,421	(57,545)
Return on assets	18,638	13,658
Past service costs	27,804	(819)
Entity commitments	0	0
Curtailments	(561)	(587)
Settlements	0	0
Closing balance at 31st March	**(136,262)**	**(190,661)**

Reconciliation of fair value of the scheme (plan) assets:

	2010/2011 £000	**2009/2010 £000**
Opening Balance 1st April	**287,487**	**212,474**
Expected rate of return	18,638	13,658
Actuarial gains and losses	8,404	57,170
Employer contributions	15,398	13,643
Contributions by scheme participants	5,218	5,078
Benefits paid	(15,340)	(14,536)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31st March	**319,805**	**287,487**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investment reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £23,413,000 (2009/2010 - £70,828,000).

Scheme History

LCPF Scheme	2006/2007 £'000	2007/2008 £'000	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000
Present Value of Liabilities	(355,445)	(395,386)	(338,245)	(478,148)	(456,067)
Fair Value of Assets	263,883	262,152	212,474	287,487	319,805
Surplus/(Deficit) in the Scheme	(91,562)	(133,234)	(125,771)	(190,661)	(136,262)

The liabilities show the underlying commitments that the authority has in the long term to pay post-employment (retirement) benefits. The total liability of £453,067,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £136,262,000. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2011 is £15,398,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable both in future years dependent upon assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Mercer Limited an independent firm of actuaries. The last full actuarial valuation of the scheme was at 31 March 2007.

The principal assumptions used by the actuary have been:

	2010/2011	2009/2010
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.50%	7.50%
Government Bonds	4.40%	4.50%
Other Bonds	5.10%	5.20%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	0.50%
Other	Dependent on asset type	Dependent on asset type
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.6 years	21.2 years
Women	24.2 years	24.1 years
Longevity at 65 for future pensioners		
Men	23.0 years	22.2 years
Women	25.8 years	25 years
Rate of RPI inflation	3.40%	3.30%
Rate of CPI inflation	2.90%	2.80%
Rate of increase in salaries	4.90%	5.05%
Rate of increase in pensions	2.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.60%
Take up option to convert annual pension into retirement lump sum	50%	50%

History of Experience Gains and Losses

The actuarial gains/(losses) identified as movements on the pension reserve in 2010/2011 can be analysed into the following categories measured as a percentage of assets of liabilities as at 31st March 2011.

	2006/2007 %	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %
Differences between the expected and actual return on assets	6.2	(14)	7.6	(20)	2.6
Experience gains and (losses) on liabilities	0	1	0	0	5.8

51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on resources available to fund services. Risk management is carried out by the Treasury Management Panel, under policies approved by the Executive in the Council's Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The criteria are based on information from Fitch, Moody's or Standard and Poors, the three principal credit ratings agencies.

Banks – the authority will use banks which have at least the following ratings:

- Short term – F1 or equivalent
- Long term – Single A or equivalent.

Building Societies – the authority will use any UK society with assets in excess of £1.5 billion.

Local Authorities – the authority will use any except those with a CAA score for use of resources of lower than 2.

Investments in UK Government – permitted due to overall security

Investments in supranational institutions – not permitted along with investments in money market funds.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Executive.

The Authority's potential maximum exposure to credit risk in relation to its investments in banks and building societies of £62m cannot be assessed generally as the risk of any institution failing to make the interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31st March 2011 that this was likely to crystallize.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 **£'000**	**Historical experience of default** **%**	**Historical experience adjusted for market conditions at 31st March 2011** **%**	**Estimated maximum exposure to default and uncollectability At 31 March 2011** **£'000**	**Estimated maximum exposure at 31 March 2010** **£'000**
Deposits with Banks and financial institutions	6,750	0	0	0	
Customers	78,885	35%	0	27,610	28,078

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for its customers, such that £1,836,000 of the £34.4m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31st March 2011 **£'000**	**31st March 2010** **£'000**
Three to six months	235	772
Six months to one year	273	447
1-2 years	450	454
2-3 years	135	170
Over 3 years	743	816
Total	**1,836**	**2,659**

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 30% of loans are due to mature within any rolling five year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31st March 2011 £'000	**31st March 2010 £'000**
Less than one year	5,667	0
Between one and two years	2,667	5,000
Between two and five years	20,000	8,000
Between five and ten years	14,171	12,171
Between ten and fifteen years	18,608	16,609
Between fifteen and twenty years	13,000	10,000
More than twenty years	68,000	76,000
Total	**142,113**	**127,780**

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise

- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on the fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in the interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority’s cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management panel has an active strategy for assessing interest rate exposure that feeds into the annual budget setting. Any adverse changes are updated in the budget during the year. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would have a nil effect on the financial statements as would a 1% fall in interest rates. This assumption is based on the methodology used in the Note – Fair Value of Assets and Liabilities.

Price Risk

The Authority does not invest in equity shares but does have shareholdings to the value of £8,600,002 in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for ‘open book’ arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £8.6m shares are classified as ‘available for sale’, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £430,000 gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2010/2011.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

SECTION 6

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

	2010/2011 £000	2009/2010 £000
EXPENDITURE		
Repairs & maintenance	5,124	4,996
Supervision and management	6,461	6,843
Rents, rates, taxes and other charges	98	86
Sums directed by the Secretary of State that are expenditure	412	379
Depreciation and impairments of fixed assets	61,005	21,117
Debt management costs	126	48
Movement in the allowance for bad or doubtful debts	212	220
TOTAL EXPENDITURE	**73,438**	**33,689**
INCOME		
Dwelling rents (gross)	(15,866)	(15,608)
Non-dwelling rents (gross)	(196)	(242)
Charges for services and facilities	(1,514)	(1,479)
Contributions towards expenditure	(149)	(156)
HRA Subsidy receivable (including MRA)	(1,196)	(620)
TOTAL (INCOME)	**(18,921)**	**(18,105)**
NET COST OF HRA SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	**54,517**	**15,584**
HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
Interest payable and similar charges	1,864	1,540
Interest and Investment income	(241)	(333)
Gains and losses on sale of HRA non-current assets	931	813
(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES	**57,071**	**17,604**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2010/2011 £000		2009/2010 £000	
Balance on HRA as at 31st March 2010		**(1,350)**		**(1,539)**
Surplus/deficit for the year on HRA Income and Expenditure Statement	57,071		17,604	
Adjustments between accounting basis and funding basis under statute	(57,993)		(16,911)	
Net increase or decrease before transfers to/from reserves	**(922)**		**693**	
Transfers to/from reserves	658		(504)	
Increase or decrease in year on HRA		(264)		189
Balance on the HRA as at 31st March 2011		**(1,614)**		**(1,350)**

NOTES TO THE HRA STATEMENT

1. HOUSING REVENUE ACCOUNT STOCK

The Council owned 5,298 dwellings at 31st March 2011 which are analysed below:-

	2010/2011	2009/2010
Low rise flats	2,236	2,248
Medium rise flats	978	1,039
High rise flats	383	383
Houses and bungalows	1,660	1,651
Multi occupied dwellings	41	41
TOTAL	**5,298**	**5,362**

The change in the stock during the year is summarised below:-

	2010/2011	2009/2010
Stock at 1st April	**5,362**	**5,395**
Less - Sales to tenants	5	0
- Disposal to Housing Association	70	0
- Property Conversion	1	0
- Transfer hostel to General Fund	0	11
- Demolitions	0	27
Add - Right-To-Buy Buy-Backs	1	5
- New Build	11	0
Stock at 31st March	**5,298**	**5,362**

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:-

	2010/2011 £000	2009/2010 £000
Operational assets:		
Council dwellings	131,648	172,992
Other HRA	1,833	3,087
TOTAL	**133,481**	**176,079**

2. DWELLING RENTS

This is the total rent due for the year after allowance is made for voids etc. During the year 3% of lettable properties, including hostels, were vacant (2009/10: 3.60%). The average rent was £58.86 a week in 2010/11, an increase of 2.3% over the previous year.

	2010/2011 £000	2009/2010 £000
Vacant possession value of properties	330,814	333,062

The vacant possession value of dwellings held on 1st April 2009 was £330,814,000. The difference between this and the Existing Use Value (Social Housing) valuation of £116,288,000 represents the economic cost to the Government of providing council housing at less than the open market rents.

3. MAJOR REPAIRS RESERVE

The movements in the Major Repairs Reserve (MRR) are summarised below:

	2010/2011 £000	2009/2010 £000
Balance as at 1st April	**1,980**	**1,309**
Transferred to MRR during the year	3,042	4,218
Transferred from MRR to HRA during the year	659	(504)
Debits to MRR during the financial year in respect of capital expenditure: Houses held within HRA	(5,681)	(3,043)
Balance as at 31st March	**0**	**1,980**

4. HOUSING REPAIRS ACCOUNT

The movement on the Housing Repairs Account during the year is summarised below:

	2010/2011 £000	2009/2010 £000
Balance as at 1st April	**0**	**0**
Add Revenue Contribution	5,124	4,996
Less Expenditure in the Year		
Responsive repairs	(2,306)	(2,748)
Planned maintenance	(2,818)	(2,248)
Balance as at 31st March	**0**	**0**

5. CAPITAL EXPENDITURE WITHIN HOUSING REVENUE ACCOUNT

	2010/2011 £000	2009/2010 £000
Total Capital Expenditure within the Housing Revenue Account on Land, Housing, Other Property.	**19,588**	**17,541**
Sources of funding for the above Capital Expenditure:		
- Decent Homes Funding	11,154	13,150
- Usable Capital Receipts	117	100
- Revenue contributions (as defined in Local Government and Housing Act 1989)	900	800
- Major repairs reserve	5,681	3,043
- Grants and other funding	1,736	448
TOTAL CAPITAL EXPENDITURE WITHIN THE HRA	**19,588**	**17,541**

Usable capital receipts totalling £117,000 were received during the year.

6. DEPRECIATION CHARGE WITHIN THE HRA

	2010/2011 £000	2009/2010 £000
Depreciation charges for:		
- Operational Assets, comprising dwellings and other land and buildings	2,982	4,112
- Non-Operational Assets	61	107
TOTAL	**3,043**	**4,219**

7. IMPAIRMENT

	2010/2011 £'000	2009/2010 £'000
Impairment charges in respect of land, houses and other property within the HRA	57,962	16,899

The basis of valuation of the housing stock within the HRA is Existing Use Value – Social Housing. This is calculated by applying a prescribed discount factor to the Existing Use Value – Vacant Possession. A reduction in the adjustment factor for the North West and Merseyside has had a significant impact on the valuation and is the main reason for the increase in the impairment charge.

8. GOVERNMENT RULES

The Housing Revenue Account has been compiled in accordance with the Local Government and Housing Act 1989 as follows:

a) Housing Subsidy

The Housing Revenue Account subsidy is central government's contribution towards the cost of council housing in Blackpool. It is calculated as the amount required to balance a notional Housing Revenue Account, based on government estimates of the income and expenditure which should be earned and spent by the Authority on council housing.

b) The Ringfence

The present rules do not allow authorities to transfer funds from the Housing Revenue Account to the General Fund or vice versa except under specified conditions. The items to be included within the Housing Revenue Account are also specified.

c) Control

A deficit balance on the Account is not allowed and the format of the Account must comply with Schedule 4 of the Act.

d) Annual Report

An annual report to tenants must be published detailing activities and performance during the year.

A breakdown of the Housing Subsidy received for 2010/2011 is shown below:

Housing Subsidy	2010/2011 £000	2009/2010 £000
Management allowance	4,364	4,136
Maintenance allowance	5,803	5,616
Capital charges	2,470	2,068
Specified debt management	66	0
Net premiums	55	0
Assumed interest on receipts	(3)	(4)
Major repairs allowance	3,702	3,715
Notional rent income	(15,261)	(14,911)
TOTAL SUBSIDY	**1,196**	**620**

8. RENT ARREARS

Rent Arrears for 2010/2011 amounted £772,000 compared to £819,000 in the previous year. During the year 2010/2011 rent arrears as a proportion of gross collectable rent (including service charges) were 4.2% (2009/2010 4.6%).

Amounts written off during the year amounted to £264,000 (2009/2010 £147,000). The total provision for bad and doubtful rental debts in the Housing Revenue Account at 31st March 2011, is £658,000 (£657,000 2009/2010). This provision has been calculated in accordance with the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

9. SUMS DIRECTED BY THE SECRETARY OF STATE

Rent Rebates are no longer accounted for in the HRA. This has implications for the method of controlling local authority rents used by the Department of Communities and Local Government. Local Authority rents are controlled by the Government through the use of Rent Rebate Subsidy Limitation. This reduces the level of grant the authority receives from the Department of Work and Pensions to fund the housing benefit payments if the average rent for the authority is above the limit set by the DCLG.

As Rent Rebates are no longer part of the Housing Subsidy, this amount is now reclaimed through the General Fund, but is still calculated on the same basis. As this loss of grant is suffered on the General Fund the HRA transfers funds to the General Fund to cover the loss of grant. This loss in 2010/2011 was £412,000 (2009/2010 - £379,000).

COLLECTION FUND 2010/2011

COLLECTION FUND 2010/2011

2009/2010 £000	INCOME AND EXPENDITURE ACCOUNT	2010/2011 £000	2010/2011 £000
	INCOME		
49,870	Income from Council Tax	51,309	
(806)	Write Offs	(72)	
	Transfers from General Fund		
17,278	- Council Tax Benefits	18,934	
41,577	Income collectable from Business Ratepayers	42,269	
107,919	**TOTAL INCOME**		**112,440**
	EXPENDITURE		
	Precepts and Demands on Collection Fund:		
2,838	- Lancashire Fire Authority	2,901	
6,460	- Lancashire Police Authority	6,667	
57,688	- Blackpool Council	59,533	
	Business Rates:		
41,088	- Payment to national pool	41,687	
289	- Costs of NNDR Collection	282	
270	Provision for Bad and Doubtful Debts	845	
	Contributions towards previous year's estimated	(811)	
(369)	Collection Fund surplus		
(108,264)	**TOTAL EXPENDITURE**		**111,104**
	COLLECTION FUND BALANCE		
345	**(SURPLUS)/DEFICIT FOR THE YEAR**		**(1,336)**
1,129	Fund balance as at 1st April (Surplus)/Deficit		1,474
1,474	**DEFICIT/(SURPLUS) AS AT 31ST MARCH**		**138**
	Allocated to:		
67	Lancashire Fire Authority		6
152	Lancashire Police Authority		13
1,255	Blackpool Council		119
1,474	**Total**		**138**

NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund was established under the Local Government Finance Act 1988 but the operation of the fund was changed substantially with the introduction of Council Tax in April 1993 under the Local Government Finance Act 1992.

The surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates made on 15th January of each year. The Collection Fund is operated on an accruals basis and the accounts are consolidated into the Council's Balance Sheet.

2. INCOME FROM BUSINESS RATEPAYERS

The Council collects Non-Domestic Rates in respect of business premises by applying a rate poundage set by central Government to the rateable value of its premises. For 2010/2011 this was 41.4p (48.5p in 2009/2010). A small Business Rate Relief was introduced in April 2005 and for businesses qualifying for this relief the rate applied was 40.7p in 2010/2011 (48.1p for 2009/2010) Total non-domestic rateable value as at 31st March 2011 was £129.8m (6,765 properties).

The total amount, less certain reliefs and reductions, is paid to a central pool (the NNDR pool) managed by Central Government. The Government pay into the General Fund of the Council a share of the pool based on population.

3. COUNCIL TAX 2010/2011

The Council as billing authority is required to set a tax base for each billing year by 31st January of the previous year. The Council Tax base represents the number of chargeable dwellings in each valuation band (adjusted for discounts, etc) multiplied by a set proportion to give the number of band D equivalents.

The effect of the variation between the actual tax base during the year and the estimated tax base has resulted in a deficit on the Collection Fund relating to Council Tax as follows:-

	2010/2011 £000	2009/2010 £000
Amount estimated council tax receivable in year	69,764	67,676
Actual council tax received in year		
Council tax	(51,237)	(48,994)
Council tax benefit	(18,934)	(17,278)
Increase in Bad Debt Provision	545	70
Deficit on Collection Fund in respect of Council Tax	**138**	**1,474**

4. COUNCIL TAX BASE CALCULATION 2010/2011

	Disabled Band A	A	B	C	D	E	F	G	H	TOTALS
Total No of Dwellings on Valuation List	N/A	31,109	20,400	11,196	4,588	1,831	540	267	31	**69,962**
No Of Exempt Dwellings	N/A	1,600	542	275	88	34	15	7	0	**2,561**
No of Chargeable Dwellings	**N/A**	**29,509**	**19,858**	**10,921**	**4,500**	**1,797**	**525**	**260**	**31**	**67,401**
Chargeable Dwellings subject to Disabled Relief	N/A	57	129	85	63	25	25	15	9	**408**
Dwellings Subject to this band due to Disabled Relief	57	129	85	63	25	25	15	9	N/A	**408**
No of adjusted Chargeable Dwellings	**57**	**29,581**	**19,814**	**10,899**	**4,462**	**1,797**	**515**	**254**	**22**	**67,401**
No of Dwellings with 25% Single Adult Discount	21	16,032	7,388	3,290	1,103	335	83	44	1	**28,297**
No of Dwellings with 25% Disregard Discount	1	274	257	148	52	21	3	1	0	**757**
No of Dwellings with 50% Disregard Discount	0	403	183	125	54	36	19	14	5	**839**
No of Dwellings classed as empty	0	950	295	184	54	26	11	5	0	**1,525**
Total no of Dwellings entitled to 50% discount	0	1,353	478	309	108	62	30	19	5	**2,364**
Number of Dwellings with Liability to pay 100%	35	11,922	11,691	7,152	3,199	1,379	399	190	16	**35,983**
Equivalent no of Dwellings	52	24,828	17,664	9,885	4,119	1,677	479	233	19	**58,956**
Allowances for changes in valuation, discount, disablement and exemptions	0	64	45	25	10	4	1	1	0	**150**
Adjusted no of Dwellings	**52**	**24,764**	**17,619**	**9,860**	**4,109**	**1,673**	**478**	**232**	**19**	**58,806**
Band D Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
No. of Band D Equivalents	**29**	**16,509**	**13,704**	**8,764**	**4,109**	**2,045**	**690**	**387**	**38**	**46,275**
Allowances for losses on collection										694
Recommended Tax Base for 2010/2011										**45,584**

Council Tax Base 20102011

Amount to be met from Council Tax 2010/2011 = £69,101,000 (2009/2010 = £66,986,000)

Divided by Tax base (see above) = 45,581 (2009/2010 = 45,467)

Amount to be met from Council Tax divided by tax base gives Band D of £1,516.01 (2009/2010 = £1,473.28)

The amount to be met from Council Tax of £69,101,000 includes Lancashire Police Authority Precept of £6,667,000 (2009/2010 = £6,460,000) and the Lancashire Fire Authority Precept of £2,901,000 (2009/2010 = £2,838,000).

The tax base is not constant. The number of properties eligible for discounts varies during the year. The number of properties on the valuation list also varies during the year owing to new properties being occupied and others being demolished. As a result the amount receivable from Council Tax payers in the year varies from the estimated amount. This will result in a surplus or deficit on the Collection Fund in respect of Council Tax.

	2010/2011 £000	2009/2010 £000
Fund balance at 1st April	1,474	1.129
Contribution towards previous year's estimated collection fund surplus/deficit	(1,336)	345
Fund Balance at 31st March	**138**	**1,474**

Surplus and deficits on the Collection Fund are shared between the Council and the other precepting authorities in proportion to their budgets. The Council's share of any surplus or deficit is used to reduce or increase the level of council tax bills in later years.

SECTION 7

GROUP ACCOUNTS

7.0 INTRODUCTION

The Group Accounts show the combined overall financial position of the Council, of its subsidiary companies Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd and of its associated companies CX Limited, Lancashire & Blackpool Tourist Board and Blackpool, Fylde and Wyre Economic Development Company (EDC).

On 15th January 2007 the Council placed its housing management in to an Arms Length Management Organisation (ALMO), Blackpool Coastal Housing Ltd. The company is a local authority controlled company limited by guarantee.

The Council has 100% shareholding in Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd.

CX Limited (CXL) is limited by guarantee and therefore has no share capital. The Council has 30% of the voting rights. CXL supplies outsourced careers and personal development services to young people and adults and provides workforce training and development.

CXL's priority is to develop and deliver services for individuals who are most vulnerable in the actual or potential workplace, as well as the professionals and organisations that impact on this group.

CXL provides related overarching services that supports the Connexions front line delivery in the areas of Blackpool Council and Lancashire County Council.

Lancashire & Blackpool Tourist Board is limited by guarantee and therefore has no share capital. The Council has 43% of the voting rights. It supports businesses in the Lancashire and Blackpool area by representing their interests regionally and nationally, by co-ordinating marketing activity, managing and developing the tourism product and working in partnership with industry. Activities in commercial membership, business support, "Welcome to Excellence" training, visitors services and marketing activity are all designed to improve quality and achieve common goals.

The EDC is limited by guarantee and therefore has no share capital. The Council has 50% of the voting rights. EDC is responsible for delivering the towns Masterplan, a large regeneration project.

The Group Comprehensive Income and Expenditure Statement shows the surpluses generated by the trading activities of the above companies and their effect on the overall balances of the Group.

The balance sheet shows the combined assets and liabilities of the Group.

7.1 BASIS OF CONSOLIDATION

The consolidation of the Companies in the Group with those of the Council has been based on the degree of control exercised by the Council over the operations of each company. The extent of control exercised by the Council is determined by the share of the total voting rights held by the Council representatives on the boards of the companies. The percentage shares of voting rights have been applied to the transactions and balances of the companies to produce the amounts to be consolidated. This is in accordance with recommended practice.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Capital Receipt Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Group Reserves £'000	Total Reserves £'000
Balance at 31st March 2010	**(10,110)**	**(24,493)**	**(1,350)**	**(3,676)**	**(1,979)**	**(6,534)**	**(48,142)**	**(348,447)**	**(396,589)**	**2,220**	**(394,369)**
Movements in Reserves in 2010/2011											
Surplus or (deficit) on the provision of services	(10,975)	0	(264)	0	0	0	(11,239)	0	(11,239)	**(1,763)**	**(13,002)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(65,747)	(65,747)	**(3,914)**	**(69,661)**
Total Comprehensive Income and Expenditure	**(10,975)**	**0**	**(264)**	**0**	**0**	**0**	**(11,239)**	**(65,747)**	**(76,986)**	**(5,677)**	**(82,663)**
Adjustments between accounting basis and funding basis under regulations (Note)	4,821	0	0	399	1,979	417	7,616	(7,616)	0	**0**	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(6,154)**	**0**	**(264)**	**399**	**1,979**	**417**	**(3,623)**	**(73,363)**	**(76,986)**	**(5,677)**	**(82,663)**
Transfers to/from Earmarked Reserves	5,974	(6,024)	0	0	0	50	0	0	0	**0**	**0**
Increase or Decrease in 2010/2011	**(180)**	**(6,024)**	**(264)**	**399**	**1,979**	**467**	**(3,623)**	**(73,363)**	(76,986)	**(5,677)**	**(82,663)**
Balance as at 31st March 2011 c/f	**(10,290)**	**(30,517)**	**(1,614)**	**(3,277)**	**0**	**(6,067)**	**(51,765)**	**(421,810)**	**(473,575)**	**(3,457)**	**(470,118)**

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Capital Receipt Reserve £'000	Major Repairs Reserve £'000	Capital Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Group Reserves £'000	Total Reserves £'000
Balance at 31st March 2009	**(9,091)**	**(18,224)**	**(1,539)**	**(9,078)**	**(1,308)**	**(6,501)**	**(45,741)**	**(340,925)**	**(386,666)**	**(2,231)**	**(388,897)**
Movements in Reserves in 2010/2011											
Surplus or (deficit) on the provision of services	(56,169)	0	189	0	0	0	(55,980)	0	(55,980)	**0**	**(55,980)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,057	46,057	**4,451**	**50,508**
Total Comprehensive Income and Expenditure	**(56,169)**	**0**	**189**	**0**	**0**	**0**	**(55,980)**	**46,057**	**(9,923)**	**4,451**	**(5,472)**
Adjustments between accounting basis and funding basis under regulations (Note)	48,881	0	0	5,402	(671)	(33)	53,579	(53,579)	0	**0**	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(7,288)**	**0**	**189**	**5,402**	**(671)**	**(33)**	**(2,401)**	**(7,522)**	**(9,923)**	**4,451**	**(5,472)**
Transfers to/from Earmarked Reserves	6,269	(6,269)	0	0	0	0	0	0	0	**0**	**0**
Increase or Decrease in 2010/2011	**(1,019)**	**(6,269)**	**189**	**5,402**	**(671)**	**(33)**	**(2,401)**	**(7,522)**	**(9,923)**	**4,451**	**(5,472)**
Balance as at 31st March 2010 c/f	**(10,110)**	**(24,493)**	**(1,350)**	**(3,676)**	**(1,979)**	**(6,534)**	**(48,142)**	**(348,447)**	**(396,589)**	**2,220**	**(394,369)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/2010				2010/2011		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
17,102	15,513	1,589	Central Services to the Public	46,367	41,860	4,507
87,104	43,852	43,252	Cultural, Environmental, Regulatory and Planning Services	95,904	40,991	54,913
179,239	139,856	39,383	Education and Children's Services	197,421	149,675	47,746
56,199	39,570	16,629	Highways and Transport Services	59,796	45,377	14,419
17,087	18,105	(1,018)	Local Authority Housing (HRA)	16,104	18,921	(2,817)
92,148	82,585	9,563	Other Housing Services	95,257	88,694	6,564
63,993	25,451	38,542	Adult Social Care	61,115	18,614	42,501
5,579	4,151	1,428	Corporate and Democratic Core	6,238	3,953	2,285
2,233	1,006	1,227	Non Distributed Costs	3,214	29,765	(26,551)
520,684	**370,089**	**150,595**	**Cost of Services**	**581,416**	**437,850**	**143,567**
		94	Other Operating Expenditure (Note 9)			3,936
		20,987	Financing and Investment Income and Expenditure (Note 10)			18,263
		1,105	Income & Expenditure in relation to Investment properties and changes in their fair value			1,532
		(227,312)	Taxation and Non-Specific Grant Income (Note 11)			(180,300)
		(54,531)	**(Surplus) or Deficit on Provision of Services**			**(13,002)**
		(30)	Share of Associates (surplus)			(30)
		(249)	Taxation expenses of subsidiaries			0
		(54,810)	**Group (Surplus)/Deficit**			**(13,032)**
		(8,600)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(33,907)
		110	Surplus or deficit on revaluation of available for sale financial assets			833
		57,545	Actuarial gains/losses on pension assets/liabilities			(35,421)
		283	Other movements			(1,136)
		49,338	**Other Comprehensive Income and Expenditure**			**(69,631)**
		(5,472)	**Total Comprehensive Income and Expenditure**			**(82,663)**

GROUP BALANCE SHEET

1st April 2009 £'000	31st March 2010 £'000		Notes	31st March 2011 £'000
652,388	757,585	Property, Plant and Equipment		852,999
9,030	10,560	Investment Property		10,310
134	6	Intangible Assets		0
3,317	3,488	Assets Held for Sale		3,562
89	(1,647)	Net share of Associates		494
7,977	7,866	Long Term Investments		6,097
1,795	1,339	Long Term Debtors		6,890
674,730	**779,197**	**Long Term Assets**		**880,352**
4,000	0	Short Term Investments		0
0	0	Assets Held for Sale		0
1,058	959	Inventories		1,088
42,555	75,895	Short Term Debtors		52,870
2,908	1,850	Payments in Advance		2,830
50,816	14,307	Cash and Cash Equivalents		13,777
101,337	**93,011**	**Current Assets**		**70,565**
(4,130)	(4,061)	Bank Overdraft		0
(3,000)	(32,470)	Short Term Borrowing		(5,000)
(42,831)	(49,283)	Short Term Creditors		(54,241)
(12,602)	(12,715)	Receipts in Advance		(14,210)
(7,668)	(6,505)	Provisions		(6,566)
0	0	Liabilities in Disposal Groups		0
(70,231)	**(105,034)**	**Current Liabilities**		**(80,017)**
0	(5,383)	Long Term Creditors		(6,858)
0	0	Provisions		0
(145,425)	(126,429)	Long Term Borrowing		(135,899)
(156,363)	(223,202)	Other Long Term Liabilities		(251,111)
0	0	Donated Assets Account		0
(15,151)	(17,791)	Capital Grants Receipts in Advance		0
(316,939)	**(372,805)**	**Long Term Liabilities**		**(393,868)**
388,897	**394,369**	**Net Assets**		**477,032**
(45,743)	(48,142)	Usable Reserve		(51,765)
(343,154)	(346,227)	Unusable Reserves		(425,267)
(388,897)	**(394,369)**	**Total Reserves**		**(477,032)**

GROUP CASH FLOW STATEMENT

2009/2010 £000		2010/2011 £000	2010/2011 £000
(54,531)	**(Surplus)/Deficit on Provision of Services**		**(13,002)**
1,847	Adjustments to net (surplus) or deficit on provision of services for non-cash movements	12,462	
(14,605)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,541)	
(67,289)	**Net Cash Flows from Operating Activities**		**(30,081)**
69,141	**Total Investing Activities**		**34,862**
(52,420)	**Total Financing Activities**		**22,265**
(50,568)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**27,046**
(99,225)	Cash and Cash Equivalents at the beginning of the reporting period		(149,793)
(149,793)	**Cash and Cash Equivalents at the end of the reporting period**		**(122,747)**

NOTES TO GROUP ACCOUNTS

The income and expenditure of the Authority's Group recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/2011	**Resources £'000**	**Blackpool Services £'000**	**Places £'000**	**Childrens Family & Adult Services £'000**	**Chief Exec £'000**	**Policy, Trans & Comm. £'000**	**HR & Org. Dev. £'000**	**Budgets outside the cash limit £'000**	**Total £'000**	Group Companies £'000	**Total £'000**
Fees, charges & other income	3,233	24,523	11,883	46,673	0	139	642	2,044	**89,137**	36,675	125,812
Government grants	521	422	6,355	129,113	0	72	24	108,869	**245,376**	0	245,376
Recharges to the services	14,084	11,326	11,161	2,551	766	1,103	3,158	2,441	**46,590**	0	46,590
Total Income	**17,838**	**36,271**	**29,399**	**178,337**	**766**	**1,314**	**3,824**	**113,354**	**381,103**	36,675	417,778
Employee expenses	13,630	21,004	15,098	130,579	513	909	3,359	79	**185,171**	17,473	202,644
Other expenses	6,342	49,770	36,534	123,551	74	234	759	126,806	**344,070**	16,927	360,997
Support services recharges	3,429	4,392	4,362	11,880	34	60	178	4,531	**28,866**	0	28,866
Total Expenditure	**23,401**	**75,166**	**55,994**	**266,010**	**621**	**1,203**	**4,296**	**131,416**	**558,107**	34,400	592,507
Net Expenditure	**5,563**	**38,895**	**26,595**	**87,673**	**(145)**	**(111)**	**472**	**18,062**	**177,004**	(2,275)	174,729

Income and Expenditure 2010/2011	Resources £'000	Blackpool Services £'000	Places £'000	Childrens Family & Adult Services £'000	Chief Exec £'000	Policy, Trans & Comm. £'000	HR & Org. Dev. £'000	Budgets outside the cash limit £'000	Total £'000	Group Companies £'000	Total £'000
Fees, charges & other income	3,594	23,011	7,064	43,756	0	234	635	4,889	83,183	42,303	125,486
Government grants	540	481	2,636	121,822	0	60	70	100,834	226,443	0	226,443
Recharges to the services	13,729	12,811	7,919	3,121	890	902	2,787	1,305	43,464	0	43,464
Total Income	**17,863**	**36,303**	**17,619**	**168,699**	**890**	**1,196**	**3,492**	**107,028**	**353,090**	42,303	395,393
Employee expenses	13,151	21,502	14,368	125,344	658	824	3,480	140	179,467	22,608	202,075
Other expenses	6,846	45,737	22,210	112,078	75	357	957	123,367	311,627	20,290	331,917
Support services recharges	3,607	5,047	3,828	11,883	24	52	167	4,641	29,249	0	29,249
Total Expenditure	**23,604**	**72,286**	**40,406**	**249,305**	**757**	**1,233**	**4,604**	**128,148**	**520,343**	42,898	563,241
Net Expenditure	**5,741**	**35,983**	**22,787**	**80,606**	**(133)**	**37**	**1,112**	**21,120**	**167,253**	595	167,848

Reconciliation of the Directorates Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shoes how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/2010 £'000		2010/2011 £'000
167,848	Net expenditure in the directorate analysis	174,729
470	Net expenditure of services and support services not included in the analysis	9,677
0	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	0
(17,723)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(40,839)
150,595	**Cost of Service in Comprehensive Income and Expenditure Statement**	**143,567**

Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of Surplus or Deficit on the Provision of Services included in the Group Comprehensive Income and Expenditure Statement.

2010/2011	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000	Group Amounts £'000	Total £'000
Fees, charges & other income	125,812	460	18,352	144,624	810	145,434	0	145,434
Interest and investment income	0	0	(206)	(206)	447	241	0	241
Income from Council Tax	0	0	0	0	58,700	58,700	0	58,700
Government Grants & Other Contributions	245,376	0	0	245,376	122,415	368,032	0	368,032
Support Services	46,590	2,200	0	48,790	0	48,790	0	48,790
Total Income	**417,778**	**2,660**	**18,146**	**438,584**	**182,372**	**620,956**	**0**	**620,956**
Employee expenses	202,644	(23)	(5)	202,616	5	202,621	0	202,621
Other service expenses	360,997	12,343	8,438	381,778	2,336	384,114	512	384,626
Support services recharges	28,866	17	0	28,883	0	28,883	0	28,883
Depreciation, amortisation and impairment	0	0	4,166	4,166	815	4,981	0	4,981
Interest Payments	0	0	(8,049)	(8,049)	9,914	1,865	0	1,865
Precepts and Levies	0	0	0	0	73	73	0	73
Payments to Housing Capital Receipts Pool	0	0	0	0	142	142	0	142
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	3,722	3,722	0	3,722
Pensions	0	0	(27,243)	(27,243)	8,284	(18,959)	0	(18,959)
Total Expenditure	**592,507**	**12,337**	**(22,693)**	**582,151**	**25,291**	**607,442**	**512**	**607,954**
Surplus or Deficit on the Provision of Services	**174,729**	**9,677**	**(40,839)**	**143,567**	**(157,081)**	**(13,514)**	**512**	**(13,002)**

2009/2010	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Group Amounts £'000	Total £'000
Fees, charges & other income	83,183	18,105	0	101,288	1,321	0	102,609
Interest and investment income	0	0	(807)	(807)	1,140	0	333
Income from Council Tax	0	0	0	0	57,088	0	57,088
Government Grants & Other Contributions	226,443	0	21,985	248,428	170,191	0	418,619
Recharges to support services	43,464	0	0	43,464	0	0	43,464
Total Income	**353,090**	**18,105**	**21,178**	**392,373**	**229,740**	**0**	**622,113**
Employee expenses	179,467	0	0	179,467	0	0	179,467
Other service expenses	311,627	18,575	5,970	336,172	1,772	1,449	339,393
Support services recharges	29,249	0	0	29,249	0	0	29,249
Depreciation, amortisation and impairment	0	0	7,489	7,489	0	0	7,489
Interest Payments	0	0	(10,004)	(10,004)	11,545	0	1,541
Precepts and Levies	0	0	0	0	71	0	71
Payments to Housing Capital Receipts Pool	0	0	0	0	23	0	23
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0
Pensions	0	0	0	0	10,349	0	10,349
Total Expenditure	**520,343**	**18,575**	**3,455**	**542,373**	**23,760**	**1,449**	**567,582**
Surplus or Deficit on the Provision of Services	**167,253**	**470**	**(17,723)**	**150,000**	**(205,980)**	**1,449**	**(54,531)**

2. LIABILITY FOR LOSSES AND DEFICITS OF COMPANIES WITHIN THE GROUP

Blackpool Transport Services Limited, Blackpool Operating Company Limited and Blackpool Coastal Housing Ltd are wholly owned subsidiaries therefore the Council is responsible for any losses and deficits relating to the companies.

The Associated Companies are limited by guarantee but on winding up the Council would be responsible for the following amounts of any remaining debts or liabilities of the companies.

Lancashire & Blackpool Tourist Board	43%
ReBlackpool	50%
CX Limited	30%

3. TRANSPORT COMPANY REVENUE RESERVES

The revenue reserves relating to the Transport Company are not available to the Council.

4. INTERNAL BALANCES

Certain figures from the balance sheets of Group members have been taken out of the consolidated position as they represent amounts outstanding within the Group and therefore cancel each other out in the balance sheet. The adjustments are as follows:

i) The Council owns shares to the value of £2,789,000 in Blackpool Transport. This has been taken out of long term investments and capital and reserves

ii) An amount of £1,231,000 representing amounts outstanding between the Council and Blackpool Transport has been taken out of debtors and creditors.

iii) An amount of £802,000 representing amounts outstanding between the Council and Blackpool Operating Company has been taken out of debtors and creditors

iv) An amount of £1,524,000 representing amounts outstanding between the Council and Blackpool Coastal Housing has been taken out of debtors and creditors

SECTION 8

GLOSSARY OF TERMS

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
i) recognising,
ii) selecting measurement bases for; and
iii) presenting assets, liabilities, gains, losses and changes to reserves.
Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACQUIRED OPERATIONS
Operations comprise services and divisions of service as defined in BVACOP. Acquired operations are those operations of the local authority that are acquired in the period.

ACTUARIAL GAINS AND LOSSES
For a defined benefit scheme the changes in actuarial deficits or surpluses that arise because:
(a) events have not coincided with the actuarial assumptions made for the last valuation (experienced gains and losses); or
(b) the actuarial assumptions have changed.

AREA BASED GRANT (ABG)
Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

ASSOCIATE COMPANY
This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.

BEST VALUE ACCOUNTING CODE OF PRACTICE
A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

CAPITAL CHARGE
A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services.

CAPITAL EXPENDITURE
Expenditure above £15,000 on the acquisition of a non current asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS
Proceeds above £10,000 from the sale of capital assets. Such income may only be used for capital purposes, ie to repay existing loan debt or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as “capital receipts unapplied”.

CIPFA
The Chartered Institute of Public Finance and Accountancy - the Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

CLASS OF NON CURRENT ASSETS

The classes of non current assets required to be included in the accounting statements are:
Operational assets

- council dwellings
- other land and buildings
- vehicles, plant, furniture and equipment
- infrastructure assets
- community assets

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

COLLECTION FUND

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY

A contingent liability is either:
(a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
(b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1st April 1991. The level of tax is set annually by each local authority for the properties in its area.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered to it during the accounting period, but for which payment has not been made by the balance sheet date.

CURRENT ASSETS

Assets which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT
For a defined benefit scheme, an event that reduces the expected years of future services of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS
Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION
The measure of the cost or revalued amount of the benefits of the non current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCONTINUED OPERATIONS
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.
- The activities relating to the operations have ceased permanently.
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations.
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes..

Operations not satisfying all these conditions are classified as continuing.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

EMOLUMENTS
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

ESTIMATION TECHNIQUES
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a non current asset consumed in period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EXCEPTIONAL ITEMS
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS
Material items possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL YEAR
The Council's financial year runs from the 1st April through to the following 31st March.

FORMULA GRANT
Grant distributed by formula through the local government finance settlement. It comprises Revenue Support Grant and redistributed business rates (NNDR). It is a general subsidy towards council spending and is not ringfenced for specific services.

GENERAL FUND
The main revenue account of the Council which brings together all income and expenditure other than that recorded in the Housing Revenue Account and the Collection Fund.

HOUSING REVENUE ACCOUNT
A statutory account which local authorities have to maintain if they provide public housing and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

IMPAIRMENT
A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

INFRASTRUCTURE ASSETS
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)
Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Financial reporting standards developed by the International Accounting Standards Board.

INVENTORIES
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long-term contract balances and finished goods.

INVESTMENTS (NON-PENSIONS FUND)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

LOCAL AREA AGREEMENT (LAA)
A partnership between the council and other bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

LEA
Local Education Authority – a local authority with the statutory responsibility for securing the provision of education in its area.

MINIMUM REVENUE PROVISION
Minimum revenue provision is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

NATIONAL NON-DOMESTIC RATES (NNDR)
A tax levied on business properties and sometimes known as Business Rates. An NNDR poundage is set annually by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

NET BOOK VALUE
The amount at which non current assets are included in the balance sheet, i.e historic cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE
The open market value of an asset in its existing use less the expenses to be incurred in realising the asset.

NON CURRENT ASSETS (previously fixed assets)
Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

OPERATING LEASES
Leases which do not meet the definition of a finance lease, ie where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant and equipment from the lessor to the lessee, are accounted for as operating leases.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)
A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authority's participation.

PROVISION
An amount set aside by the Council for any liability of uncertain timing or amount that has been incurred.

PRUDENTIAL CODE FOR CAPITAL FINANCE
The Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take account to demonstrate that they have fulfilled this objective.

RESERVES
Amounts set aside in the accounts to meet expenditure which the Council may be committed to in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances.

REVENUE ACCOUNT
An account which records all annual running costs and the associated income.

REVENUE EXPENDITURE
Expenditure incurred on the day-to-day running of the Council.

REVENUE SUPPORT GRANT
A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar council tax levy.

RINGFENCED SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))
Replaces Supplementary Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure to be used under Government support is available to cover borrowing costs.

SINGLE POT SUPPORTED CAPITAL EXPENDITURE (REVENUE) (SCE(R))
Replaces Basic Credit Approvals from 2004/2005 under the Local Government Act 2003. A specific amount of capital expenditure for which the Government will support the borrowing by RSG grant.

WORK IN PROGRESS
The cost of work undertaken up to a specified date on an uncompleted revenue project.

WORKING NEIGHBOURHOOD FUND (WNF)
Funding designed to encourage strategic partnerships to promote neighbourhood renewal.